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SECURITIES
The humbling of Wall Street
Page 15

World News

Indian voters deal blow to Congress Party hopes

India's Congress Party was heading for a further defeat, as voting trends in state assembly elections closely mirrored the results of last November's general election.
Congress had lost control in five of eight states that went to the polls – Orissa, Rajasthan, Madhya Pradesh, Himachal Pradesh and Gujerat. Main gainers were the radical Hindu BJP, rather than the Janata Dal Party of Mr V. P. Singh, the Prime Minister. Page 16

Likud MPs defect
Five disaffected Israeli MPs of the right-wing Likud, led by Mr Yitzhak Moda'i, the Economic Affairs Minister, broke away to form an independent faction, in protest at what they call the "undemocratic" stewardship of Mr Yitzhak Shamir, the Prime Minister. Page 4

Kohl border accord
Helmut Kohl, West German Chancellor, agreed that the West and East German parliaments would make a joint statement confirming the existing Polish border after the East German elections in March. Page 2

Soviet land for rent
Soviet deputies approved a new law giving individuals the right to lease land from collective farms for the first time. Page 2

Cambodian hold-up
Cambodian delegates were last night still trying to agree a closing communiqué at peace talks in Jakarta, putting in jeopardy hopes of an early resumption of the Paris international conference aimed at ending the 11-year conflict. Page 4

EC storm money
Huge waves breached Denmark's dykes flooding homes [illegible] farmland in storms which had [illegible] killed at least 50 people across Europe in the last four days, as the European Community announced emergency aid for victims totalling Ecu1.7m ($2m). Page 2

E German collapse
East Germany's armed forces are falling apart as men desert in their thousands and discipline collapses, Nato sources said. Page 2

Philippines' debt
The Philippines became the second country, after Mexico, to sign an agreement with international banks under the new debt initiative launched last March by Nicholas Brady, the US Treasury Secretary. Page 4

FT man still held
Sudan's ambassador was summoned to the Foreign Office, where Britain's concern was expressed over the detention *for eight days* of journalist Julian Ozanne, the Financial Times East African correspondent. Page 4

Ceasefire order
Nicaragua's Sandinista government ordered an immediate ceasefire in the war with the US-backed Contras as President-elect Violeta Chamorro pledged *to drastically cut the* size of the country's armed forces.

Buthelezi peace call
South African Zulu tribal leader Mangosuthu Buthelezi backed ANC leader Nelson Mandela's call for halting *black* strife in South Africa's Natal province, saying factional fighting was hurting efforts to end apartheid.

Sudanese ambush
Rebels in south Sudan said they had ambushed a massive army convoy on its way to relieve *the besieged regional* capital of Juba. They claimed to have killed over 300 soldiers and destroyed more than 50 vehicles.

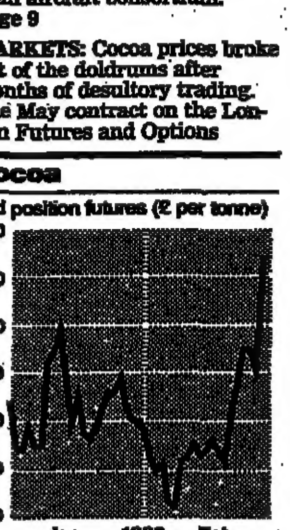
Business Summary

BAe hopes new package will signal end to strikes

Manual employees at British Aerospace's Preston plant are expected to back the company's revised package for a 37-hour week.
Acceptance would signal the end to a series of BAe strikes which began 17 weeks ago which have severely disrupted production at Airbus, the European aircraft consortium. Page 9

MARKETS: Cocoa prices broke out of the doldrums after months of desultory trading. The May contract on the London Futures and Options Exchange (Fox) closed at £674 a tonne, a rise of £24 on the day and the highest close for more than three months. Page 28. In Tokyo, the Nikkei average rose nearly 700 points to post its seventh largest gain in history. Back page, Section II. Sterling shrugged off poor UK trade figures and the dollar was firm on unexpectedly strong fourth quarter growth in the US economy. Page 36; Lex, Page 16

Cocoa
2nd position futures (£ per tonne)



BASS, Britain's leading brewer, is selling its Crest *chain of 47 hotels in Britain* and the Netherlands to concentrate on the development of its recently acquired worldwide Holiday Inns business. Page 17

VOLKSWAGEN, West German car company, said it was planning a rights issue which analysts said could raise up to DM1.4bn ($875m). Page 17

COMMERCIAL Union and General Accident, UK composites, both blamed bad weather and heavy competition for pre-tax profits in 1989. Page 17

FRENCH banks have *instructed their lawyers to file* suit against Deutsche Genossenschaftsbank in their row over DM6bn ($3.6bn) of contested securities transactions. Page 17

ARGENTINA'S current stand-by credit agreement with the International Monetary Fund worth $1.4bn appears to have collapsed, according to sources close to the negotiations. Page 6

US expressed renewed concern at the value of the South Korean currency, which has fallen steadily against the dollar *since the beginning of* the year. Page 4

LEIGH INTERESTS of the UK, a West Midlands-based waste disposal group, is tapping shareholders for £35.6m ($60.52m) to wipe out borrowings and fund its next three years of development. Page 24

AMSTERDAM-Rotterdam Bank, Netherlands second largest commercial bank, saw its 1989 earnings soar by nearly 45 per cent on income that outpaced expenses and extraordinary gains. Page 18

ALAN BOND, Australian businessman, had a dramatic reversal of fortune when receivers were unexpectedly ordered to relinquish control of his brewing empire. Page 17

FRENCH exports rose to a record FFr104.6bn ($18.2bn) *in January, helping to cut the* trade deficit for the month to only FFr800m after seasonal adjustments. Page 3; Back page; Section II

Indictment exposes Exxon to fines of over $600m

By Lionel Barber in Washington and Rod Oram in New York

A US federal grand jury indictment of Exxon Corporation on five criminal charges arising from last year's oil spill in Alaska deepens the company's legal difficulties and exposes it to more than $600m *in fines*.

The indictment follows the collapse of plea bargain talks between Exxon and the US Justice Department which Alaska state officials and environmentalists had denounced as too favourable to the New York-based oil concern.

Mr Richard Thornburgh, US Attorney-General, told a news conference in Washington on Tuesday evening that Exxon had refused to accept the Department's terms for entering a guilty plea and avoiding a trial. But he did not rule out a *future plea bargain arrangement*.

The earlier tentative agreement would reportedly have allowed Exxon to have escaped criminal charges, while forcing it to provide up to $550m in damages as restitution for the 11m-gallon oil spill in Prince William Sound last spring.

However, Alaska officials denounced the reported arrangement as a "secret deal" and said it broke an earlier verbal commitment by the Justice Department to join the state in civil suits against *Exxon*.

Mr Thornburgh said the criminal indictment did not affect civil actions contemplated by the US Government, Alaska state or individuals.

He also stressed that the Government would pursue civil remedies "quite separately and apart" from the criminal prosecution. But he offered no details and said there was a six-year statute of limitations on starting such actions.

The state and more than 150 private interests have already *filed suits against Exxon for* the oil spill which occurred when the Exxon Valdez ran aground on a marked reef, killing more than 36,000 migratory birds and polluting more than 1,000 miles of coastline.

The first felony count alleges that Exxon violated the Ports and Waterways Safety Act which requires the owner of a vessel to ensure the wheelhouse is constantly manned by competent people.

The second felony count is based on a federal law banning shipping companies from hir*ing crew members known to be* physically incapable of handling duties.

The three misdemeanours relate to violations of environmental laws, including the Clean Water Act.

Investors are unable to put a price tag yet on Exxon's legal entanglements. "We don't have a clue," one oil analyst said.

Reacting to the indictment news, Exxon's share price dipped $¾ to $47¼ yesterday.

Analysts believe that the Justice Department estimates that penalties arising from the *indictments could cost* Exxon a minimum of $600m are conservative, some putting the cost closer to $1bn.

Mr Larry Rawl, Exxon's chairman, disputed the Justice Department's figure, saying: "In this case, we believe there is no statutory basis for the

Continued on Page 16

US industry is in deep trouble, Congress told

By Peter Riddell, US Editor, in Washington

US manufacturing industry has never been in more trouble, and its competitive position will *continue* to decline without greater government support, according to a wide-ranging report from the Office of Technology Assessment, a bipartisan congressional body.

Among the most controversial suggestions, certain to be resisted by the Bush Administration, is that a new federal agency should be set up to work closely with industry to select and support "high-risk but promising new technologies."

The report, submitted to Congress yesterday, paints a pessimistic picture of the competitive position of US manufacturing, warning that it is in "deep trouble" and falling behind competitors in developing, commercialising and diffusing technologies.

Without federal action, the continued decline of competitiveness will *"hurt American* standards of living and our ability to provide for national security."

Much of the analysis and the policy proposals are along familiar and generally accepted lines, such as the prime importance of eliminating the federal budget deficit, encouraging higher private savings, longer-term holding of equities, stimulating technology transfers and improving public education.

The significant feature is the call for closer federal involvement in supporting specific technologies. This comes amid growing congressional concern that the US is losing out in advanced technologies to Japan and other Pacific Rim countries.

In particular, the report discusses the creation of a new Civilian Technology Agency, *possibly with a new Department* of Industry and Technology (in place of the present Department of Commerce). This agency might be a civilian version of the present Defence Advanced Research Projects Agency in the Pentagon.

The new independent agency could make "grants or co-operative agreements with private performers of research and development on high-risk projects that could have exceptional value to the civilian economy."

Defending such an agency against the charge of "picking winners," Dr John Gibbons, director of the Office of Technology Assessment, told the Senate Banking Committee yesterday that there were many US examples of successful commercial industries building on abundant government support of technology.

The Bush Administration is firmly opposed to such ideas as smacking of an interventionist industrial policy. Even limited proposals for greater government support from the Commerce Department has been strongly opposed by President Bush's main economic advisers.

Apart from reducing the federal budget deficit, the Administration places most emphasis on keeping down taxes. Mr Bush said yesterday in New York that "lower taxes are the key to making America competitive in the global marketplace. We can outproduce, outmarket and outsell anybody else – if we can keep taxes low for American business."

Philips shake-up to streamline decision-making

By Laura Raun in Amsterdam

MR Cor van der Klugt, president of Philips, will retire next year and be replaced by Mr Jan Timmer in a sweeping management shake-up designed further to streamline decision-making and bring in younger blood at the Dutch electronics giant.

Philips is Europe's largest electronics company and a world leader in televisions, light bulbs and electric shavers. Announcement of the major reorganisation, the second in three years, came on the eve of Philips' 1989 results announcement today.

Mr van der Klugt will be 66 when he steps down as president as well as board and committee chairman on July 1, 1991, after serving five years. He will be remembered for embarking on the most far-reaching restructuring in Philips' history, involving the loss of thousands of jobs and closure of dozens of factories.

Mr van der Klugt often talks in military terms of the drive to cut costs and improve efficiencies, necessitated by low profitability, erratic earnings and sluggish sales.

Mr Timmer, 57, is a tough-minded manager who has made a reputation for helping turn around the loss-ridden consumer electronics division which he now heads. A no-nonsense executive, he is expected to insist on clearer lines of individual responsibility in a company long known for group-style accountability.

Half of the six-member board of management, which is responsible for overall corporate policy, will be replaced by July 1 1991 and another two members are likely to step down by the end of next year.

Jan Timmer: promotion

It is understood that the management board might be reduced in numbers at that time. The 11-member group management committee, which is in charge of daily operations, will dwindle to eight members by July 1 1991 but it might expand if the management board shrinks.

Philips will celebrate its 100th anniversary in 1991 and has set ambitious goals of Fl 3bn ($1.6bn) earnings on sales of Fl 90bn for its centenary. In comparison, earnings for 1989 are expected to jump dramatically to between Fl 1.4bn and Fl 1.6bn from Fl 1.06bn in 1988, fueled partly by big extraordinary gains, while sales of Fl 57bn have already been announced.

Mr Timmer will assume Mr van der Klugt's responsibilities after taking over as board and committee vice chairman and executive vice president on July 1 this year. Also retiring

Continued on Page 16

Greenspan cheered by expansion in GNP

By Peter Riddell in Washington

THE probability of a US recession has now slipped "below 50 per cent," Mr Alan Greenspan, the chairman of the Federal Reserve, said yesterday after new evidence emerged that the economy was not as weak at the end of last year as previously believed.

Preliminary figures for US output shows that Gross National Product expanded at an annual rate *of* 0.9 per cent in real, inflation adjusted, terms in the final quarter of 1989. This compares with the *earlier estimate of only 0.5 per* cent growth, though it is still the smallest rise for more than three years.

The revision, largely because of higher exports, will reinforce the Fed view that the economy's weakest point has passed and that there is, therefore, no need for an early cut in US interest rates in face of continued worries over domestic inflation and upward pressures on overseas rates.

Mr Greenspan has brushed aside Tuesday's figures showing a record fall in durable goods orders in January as reflecting temporary influences, suggesting that the situation is now stabilising. He *said yesterday that while* economic growth is still vulnerable, growth in the first quarter should be "slow but positive."

There are some favourable pointers in the latest figures, not only higher exports but also a smaller overhang of manufacturing stocks than at first believed. Excessive stocks in relation to sales are an important cause of a recession.

The lower level of stocks means that any increase in sales is more quickly translated into higher production. With the car industry anyway having reduced much of its stocks of unsold cars in January, this points to a modest rebound in activity in the *current quarter*.

The precise level of growth is important because of the provision in the Gramm-Rudman deficit reduction law which allows Congress to propose a suspension after two successive quarters of annual GNP growth of less than 1 per cent. Mr Greenspan said that even if there were to be two quarters of below 1 per cent growth at the moment, the Fed does not see "a cumulative downward process" that would justify such a suspension.

Mr Michael Boskin, the chairman of the president's council of economic advisers, takes the same view because of *his belief that economic activity* will recover later this year. Any Congressional resolution would anyway be subject to a presidential veto.

Imports surge halts reduction in UK monthly trade deficit

By Peter Norman, Economics Correspondent, in London

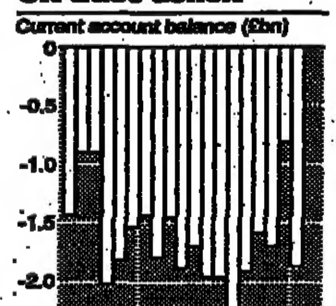
BRITAIN'S current account balance of payments deficit *jumped nearly £1.1bn ($1.85bn)* to £1.88bn last month as a sharp rise in imports brought the recent improvement in the UK's monthly trade figures to an abrupt halt.

However, the unexpected deterioration in the January figures was accompanied by a substantial downward revision in the December current account deficit to £817m from £1.12bn previously announced last month.

Both sets of figures were affected by exceptional factors and caused considerable confusion in financial markets, which had been expecting a modest increase in January's current account deficit to around £1.3bn.

The Treasury and the Central Statistical Office said the jump in the January current account deficit, which was mirrored by an equally large rise in January's visible trade deficit to £1.98bn, was largely the result of an exceptional rise in diamond imports and a fall in aircraft exports.

UK trade deficit
Current account balance (£bn)



Without these movements, which count as erratic transactions, the deficits increased by only £800m in the month, the CSO said.

Meanwhile, the December deficits fell to reflect changes in the way the statistics are adjusted to take account of seasonal irregularities and the different numbers of working days in the month. These changes also caused substantial revisions to earlier monthly figures.

The CSO disclosed that the *value of imports increased in* January by 9.5 per cent to a record £10.6bn while exports fell by 1.5 per cent to £8.6bn. However, it pointed out that on a three months' basis, the trend of British exports was still strongly upwards while import growth had slowed sharply.

Excluding oil and erratic items, the volume of exports in the three months to January was 4 per cent higher than in the August to October period and 11 per cent higher than in the three months to January 1989. On the same basis, volume imports fell by 1 per cent in the three months to January compared with the previous three months and were only 2 per cent higher than a year earlier.

Both the equity and currency markets largely accepted the official explanation that January's poor performance largely reflected erratic and

Continued on Page 16
Lex, Page 16; Markets, Section II

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Sandinistas have lost office – they have not lost power

It would be misleading to describe Nicaragua as a domino falling like others in the Soviet empire. As defeated President Daniel Ortega (left) made clear, the Sandinistas will resist sweeping changes. Page 6

MARKETS

STERLING
New York close
$1.6755
London:
$1.6900 (1.6920)
DM2.8675 (2.8500)
FFr9.6975 (9.6475)
SFr2.5200 (2.5100)
Y251.50 (251.50)
£ index 89.9 (89.6)

GOLD
New York: Comex Apr
$408.9
London:
$407.5 (408.25)

N SEA OIL (Argus)
Brent 15-day Apr
$19.50 (-0.25)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.7053
FFr5.7645
SFr1.5
Y148.975
London:
DM1.6960 (1.684)
FFr5.7375 (5.7025)
SFr1.4910 (1.4830)
Y148.80 (148.60)
$ index 67.8 (67.5)
Tokyo close: 148.52

US Lunchtime Rates
Fed Funds 8$\frac{5}{16}$%
3-mo Treasury Bills:
yield: 7.994%
Long Bond:
100$\frac{7}{32}$
yield: 8.471%

STOCK INDICES
FT-SE 100:
2,255.4 (+0.6)
FT Ordinary:
1,781.4 (−0.1)
FT-A All-Share:
1,122.26 (+0.1%)
New York close
DJ Ind. Av.
2,627.25 (+10.13)
S&P Comp
333.03 (+2.77)
Tokyo: Nikkei
34,591.99 (+694.04)

LONDON MONEY
3-month interbank:
closing 15$\frac{7}{32}$ (15$\frac{3}{16}$)
Liffe long gilt future:
Mar 84$\frac{18}{32}$ (85$\frac{7}{8}$)

Reconstruction in east 'will exact a price'

y Will 'am Dullforce in Geneva

MILD recession in the US,),000 points off Tokyo's Nikkei ock exchange index, a doubling of the West German budet deficit and strains within ie European Monetary System may be the price the West as to pay for reconstructing astern Europe, a leading ıvestment banker said yesterday.

For economic reconstruction achieve an irreversible ıomentum in East Germany, Hungary, Poland and Czechoslovakia alone, large-scale nvestments and transitional ubsidies to living standards would be required from the West, said Mr Jonathan Wilmot, economics director of the London operation of Credit Suisse First Boston, the international investment bank.

These countries would be running big current account deficits, adding to world demand and absorbing scarce savings and liquidity from the West at a time when monetary conditions had been tightening worldwide since 1986.

With the international economy operating near full capacity, even modest extra demand would add to pressure on resources, Mr Wilmot said. From the point of view of controlling inflation, the opening up of the east had come at a bad time.

Mr Wilmot was speaking at a Euromoney international finance markets conference in Geneva.

CSFB presented a study suggesting that the West would have to pump in $16bn (£9.4bn) a year more than previously estimated, merely to counter the effect on the east European economies of Soviet insistence on receiving hard currency for oil and gas supplies. The Soviet move could raise the capital flows needed by east Europe to some $80bn-$90bn over four years.

To persuade East Germans to stay at home, West Germany had either to pay subsidies, which would push up its budget deficit, or achieve currency union at an unrealistically high exchange rate for the East German mark – or do a bit of both, Mr Wilmot said.

It already looked as though the budget deficit would be nearer DM50bn (£17.5bn) than the DM26bn originally planned.

The Bundesbank had to push up interest rates, to counter the inflationary pressures, and the higher rates would be transferred to other markets.

The Tokyo stock market, where the reverse yield gap between government bonds and equities had been steadily widening, was particularly vulnerable to a liquidity squeeze and higher interest rates. Another bearish factor was the sharp decline in the growth rate of Japanese industrial output, from a peak of 12 per cent to 2 per cent a year.

In the US it was difficult to see how the economy could be sustained through the second half of 1990 without lower interest rates, but eastern Europe had started to bid away savings needed by the US. The Federal Reserve would no doubt reduce interest rates but could delay too long to prevent a mild recession, Mr Wilmot said.

HUNGARY 'WILL NEED TO RAISE $3BN A YEAR IN NEW CREDITS'

HUNGARY will need to raise new credits of about $3bn a year on international money markets to pursue its economic reforms, Mr Laszlo Bekesi, Finance Minister, said yesterday. He foresaw partial convertibility of the currency in 1992 or 1993, as Hungary modernised its financial system. But for a transitional period the Government would pursue a policy of successively devaluing the forint against convertible currencies and revaluing it against the currencies of centrally planned economies.

Addressing a Euromoney international finance markets conference in Geneva, Mr Bekesi said the agreement Hungary had reached with the International Monetary Fund called for "extraordinarily rigorous regulation" of the money supply and a strict fiscal policy.

The deficit on the state budget would be reduced this year to 0.5 per cent of gross domestic product. Unemployment was expected to reach 1-2 per cent of the workforce, but it could rise further if co-operation within Comecon started to break down. Cuts in subsidies and the freeing of prices and wages could push inflation to around 20 per cent in 1990. GDP growth had averaged less than 1 per cent over the past three years and annual growth of more than 1 per cent might not be reached over the next two or three years. Debt servicing still took about 60 per cent of annual export earnings in convertible currencies.

The present Socialist Government has a programme for expanding private ownership and further liberalising wages, prices, trade and the banking system. But, Mr Bekesi stressed, direct foreign investment and the import of new technology were indispensable to the success of the reforms. Hungary holds parliamentary elections on March 25.

W German bank plays down cost of unity

By Andrew Fisher in Frankfurt

HIGH FOREIGN estimates of the cost of German unity, which have led to a rout on the bond market, are being countered by West German banks, which argue that social and economic reconstruction should not cause a surge in interest rates and inflation.

"Inflationary expectations of 5 per cent and demands on the capital market of DM100bn a year are way beyond probability," said Dresdner Bank in its latest economic review. Amplifying this view in an internal study, it said consumer prices were likely to rise by around 2.5 per cent this year and by between 3 and 3.5 per cent in 1991.

The raising of more money by the public sector should not lead to a lasting rise in interest rates, and the extra needs of West German companies could also be met without overburdening the capital market. The bank added that financing requirements in East Germany would not all be met from West Germany anyway.

Dresdner Bank said that putting East German pensioners and the rising number of unemployed on to a system akin to that in West Germany would cost around DM25bn (£8.8bn) a year initially. If the Bonn Government avoided tax increases, as promised, this would require a 2 per cent rise in West German social security contributions, which would dampen purchasing power.

The bank assumed a conversion rate of DM1 for 1 East German Mark as part of a currency union – higher than it felt desirable. It said increased social security and environmental costs would be offset by the lower cost of supporting new immigrants, who would cross in smaller numbers once economic union was achieved. Subsidies to border areas and West Berlin would be dropped, while higher economic growth would lift government revenues.

Thus Dresdner Bank put the initial net burden on the public sector budget at DM20bn a year.

It noted that West German public borrowing fell sharply in 1988, while new saving by private households should exceed DM190bn in 1990. Last year, Germans invested a net DM35bn in foreign bonds and shares, after DM76bn in 1988. "In view of this high capital mobility, a switch to East Germany would certainly be possible."

On the fear of overheating, the bank said the net effect on demand would be around DM12bn, or half a percentage point more on West Germany's growth rate.

Mr Kohl signals start of yesterday's cabinet meeting

Kohl promise on Poland's border

By David Goodhart in Bonn and Peter Riddell in Washington

CHANCELLOR Helmut Kohl agreed yesterday that the West and East German parliaments should make a joint statement confirming the existing Polish border after the East German elections on March 18.

He was responding to rising international pressure for final confirmation of Germany's existing border with Poland. His proposed statement may not fully satisfy the Poles, who want a treaty with international legal standing, but Bonn officials say a treaty is only possible after the Allies have officially given up responsibility for "Germany as a whole".

The pressure continued yesterday with comments in Washington from Mr Otto Lambsdorff, chairman of the Free Democratic Party, junior partner in the Bonn coalition. He said there had to be unequivocal clarity from Mr Kohl about the borders of a unified Germany.

Mr Lambsdorff, who is meeting members of the Bush Administration and Congress, said he was aware of the worries raised by Mr Kohl's refusal on his US visit to provide an absolute guarantee on the German-Polish border.

His comments come at a time of increasing concern in Washington about the issue. Senators Sam Nunn and Claiborne Pell, the Democratic chairmen of the Armed Services and Foreign Relations committees, have told President George Bush it is time for the Chancellor to put the border issue to rest.

Mr James Baker, the US Secretary of State, responded to congressional worries yesterday when he told a Senate committee that the US believed "the current borders are inviolable". However, he was careful not to offend Mr Kohl in saying the US understood "the view he has expressed and we understand this is something that has to be worked out."

In Bonn, the cabinet yesterday voted another DM500m (£175m) to help build further accommodation for the thousands of East Germans continuing to flow into the country. According to Mr Herbert Schmalsteig, vice-president of the Association of West German Cities, the number of German immigrants could this year reach 1.5m-2m after about 1m last year.

Meanwhile, West Germany's union movement has followed big business and decided to move into East Germany. I G Metall, the biggest union, said yesterday it was establishing offices in eight East German towns.

The East German I G Metall said recently it intended to open negotiations with employers in the engineering sector. Hitherto wages and conditions were fixed between the Government and the central body.

However, politicians and businessmen in West Germany have complained about a law, due to pass through the East German parliament next Tuesday, giving the unions a veto right on any legislation effecting the interests of workers.

Banks wary over loans to eastern Europe

By Norma Cohen

WESTERN commercial banks, while applauding economic and political reform in eastern Europe, are privately expressing reluctance to extend new loans to the region for any purpose except specific project finance.

"For general balance-of-payments lending to central banks, the book is closed," said one western banker in charge of lending to the region. "One's ability to predict events has been reduced," he explained.

Balance-of-payments loans are the type sought by most sovereign borrowers in the international syndicated loans market.

The bulk of the cash for economic reconstruction will instead be provided in the form of equity investments in specific projects or in the form of guaranteed credits from governments or multilateral lending agencies, the banks say.

The assessment by bankers on the region's short-term prospects shows that lenders have taken to heart the message contained in a report from the Organisation for Economic Co-operation and Development. The OECD warned that "further weakening seems inevitable before changes in economic structure can produce any tangible improvement."

The OECD noted that for eastern Europe, the changes occur when most countries are already grappling with heavy debt burdens and soaring inflation. Increasing the debt burden for these nations could pose serious problems.

In its report, the OECD attempted to assess the vulnerability of east European borrowers to service debts if no fresh cash was made available. While Czechoslovakia, East Germany, the Soviet Union and Romania appear able to weather a severe loss of market confidence, Bulgaria and Hungary could suffer a liquidity crisis if their borrowing capacity were restrained.

Critically, bankers' perceptions of individual borrowers' creditworthiness are not governed solely by the statistical analysis contained in the OECD report. For while Hungary is viewed as having among the highest debt-to-export ratios in the region – a key measure of a sovereign borrower's ability to repay – bankers are confident about the country's ability to repay.

Meanwhile, Romania, with virtually no external debt, is considered about the riskiest credit in eastern Europe.

Bankers agree that part of the difficulty in assessing the region's credit risk is the paucity of accurate information on debt and economic performance. Indeed, the OECD notes, the only organisation apart from itself producing accurate information on east European debt is the Central Intelligence Agency in the US.

However, one area where bankers remain eager to provide funds is in the area of project finance. "Balance-of-payments borrowing is sensible for neither the borrower or the lender," said Mr Neil Sebag Montefiore, director of investment banking at Swiss Bank Corp's London office. Instead, he said, finance for specific projects, especially those which generate foreign exchange, is very attractive.

EAST EUROPEAN NET DEBT/EXPORT RATIOS*

Country	1986	1987	1988	1989p
Bulgaria	143	175	196	263
Czechoslovakia	66	78	78	95
East Germany**	89	107	106	116
Hungary	312	324	290	326
Poland	570	556	504	532
Romania	98	78	32	−1
Soviet Union	79	82	90	113

p = Preliminary
* (Debt-Reserves)/Exports (goods only) in convertible currencies. The net debt/export ratio is regarded as the single best indicator of a country's relative indebtedness because exports provide the hard currency to service debt.
** Includes transactions with West Germany

Source: OECD

Exports help cut French trade deficit

FRENCH exports rose to a record FFr104.6bn (£10.8bn) in January, helping to cut the trade deficit for the month to only FFr800m after seasonal adjustments, compared with a deficit of FFr2.44bn in December, writes George Graham.

Exports rose by 7 per cent over December, and stood well above the average in recent months. Imports also rose, to stand at FFr105.4bn after seasonal adjustments.

The deficit was smaller than expected, and, following the previous day's relatively low inflation statistics, helped boost financial markets.

France's deficit in industrial goods narrowed slightly from December to FFr2bn, while the surplus in food and agricultural products increased significantly to FFr4.8bn. The food surplus is understood to include a large delivery of grain to the Soviet Union.

Coke aid approved

The European Commission yesterday gave its blessing to DM2.9bn (£1bn) in state aid last year to the West German coke industry, on condition that the level of support is reduced progressively over the next two years, writes Lucy Kellaway. Such a reduction, the Commission said, would contribute to a much needed cut in capacity and modernisation. The subsidised coke, produced at prices well above the world average, is used for steel production.

Polish rate cut

Poland's national bank (NBP) has set its basic interest rate for March at 10 per cent as the country enters the third month of its International Monetary Fund-approved austerity programme, writes Christopher Bobinski in Warsaw. The new rate will bring relief to industry after January's 36 per cent.

Turkey hails vote

Turkey yesterday welcomed the defeat in the US Congress of a resolution implying deliberate genocide of 1.5m Armenians by Ottoman forces in the First World War, writes Jim Bodgener in Ankara.

E German forces 'falling apart'

EAST GERMANY'S armed forces, the pride of the Warsaw Pact until just a few months ago, are falling apart as men desert in their thousands and discipline collapses, Nato sources say, Reuter reports from Brussels.

"The East German army has stopped functioning as a military machine," said one senior Nato official with access to detailed intelligence reports. "It is amazing – unlike anything else in eastern Europe."

The Western alliance estimates that the National People's Army, which had 173,000 men until the Berlin Wall came down last November and was rigidly tied to Communist ideology, has now shrunk to around 90,000.

"Soldiers are simply not turning up for work, some have emigrated to the west, others have gone to take jobs elsewhere in the country. A lot of them feel the army is useless. That famous German discipline has gone," another source said.

Last week, a battalion of East German soldiers refused to take part in an exercise led by some of the 380,000 Soviet troops still based in East Germany, the source said. Senior officers had to cast around for some time before they found a unit willing to participate.

Army protest strikes erupted in January over strict discipline, spartan barrack conditions and the 18-month period of compulsory military service. The authorities have promised to consider the demands.

Council of Europe seen as east-west link

By Robert Mauthner, Diplomatic Correspondent

THE 23-nation Council of Europe, created in 1949 eight years before the European Community, could form an important institutional link between western and eastern Europe, particularly in the human rights field, Mrs Catherine Lalumière, its Secretary-General, said yesterday.

Addressing the Royal Institute of International Affairs in London, she admitted that the Council, set up to forge a new political identity for Europe, had seen its role eroded. But recent radical changes in eastern Europe had given it a new lease of life as a potential "pan-European forum of the democracies".

Hungary, Poland and Yugoslavia had already applied for membership of the organisation, and it was certainly conceivable that the first two of these might be able to join this year, she said.

Mrs Lalumière, who had talks with Mr Douglas Hurd, the Foreign Secretary, during her stay in London, said it was not her intention that the Council should replace the 35-nation Conference on Security and Co-operation in Europe, grouping Nato, the Warsaw Pact and neutral countries.

That organisation had the advantage of associating the US and Canada with European security questions. But the Council, covering the 1950 European Human Rights Commission and Court of Human Rights, had a special role to play in the human rights field.

"The CSCE should entrust the implementation of the third Helsinki basket [that dealing with human rights] to the Council of Europe, whose machinery for the protection of the individual is undoubtedly the most highly-developed and effective in the world," Mrs Lalumière said.

The countries of central and eastern Europe urgently needed a structure capable of accommodating them and assisting them on the path of democratic reforms, she said.

● The risk of the EC "unravelling" in the wake of events in central and Eastern Europe was not negligible, Mr Mark Eyskens, Belgium's Foreign Minister, warned yesterday, writes Tim Dickson in Brussels. He voiced concern about a slowing down of European integration and said Europe must be careful over the next few months not to miss an historic opportunity.

Storms breach Danish dykes

By Our Foreign Staff

DENMARK'S battered coastal defences cracked yesterday, as huge waves breached dykes and flooded homes and farmland, in storms which have killed at least 45 people across Europe in the last four days.

Hundreds of civil defence volunteers in the low-lying Jutland peninsula in Denmark and in the Netherlands worked to build up sand dunes and dykes, using truckloads of earth and bulldozers to plug holes and strengthen sections.

The Netherlands' $4bn (£2.4bn) investment in the Delta dyke and dam system has paid off so far. It has held fast and protected the country – two-thirds of which is below sea level – from the highest flood waters in 37 years.

Victims of the storms will get emergency aid from the European Community totalling 1.7m Ecus ($2m), a spokesman for the EC said.

The money will be given to the Red Cross associations in seven of the EC's 12 member states to provide immediate aid to the injured and to families of those who have died in the gales.

In Bonn, West German authorities warned people in Hamburg and on North Sea islands that yesterday afternoon's high tide could rise to levels reached in 1962, when 300 people died.

Insurance companies are besieged by claims. In Denmark damage so far is worth about DKr200m (£18m).

In Italy, winds of up to 80 mph killed six people, police said.

Heavy rains triggered flash floods in coastal towns of western Norway, but the state oil company Statoil reported that its Statfjord oilfield, the North Sea's biggest, was open again after storms stopped work for a day last week.

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Leningrad's party chief decides not to risk democracy

Quentin Peel on how the ballot box puts pressure on Communist apparatchiks

Soviet elections

THE pre-election mood in Leningrad is a strange mixture of apathy and apprehension.

The city which just one year ago unceremoniously sacked the entire top echelon of its Communist Party leadership, by crossing out their names on the ballot papers for the country's first remotely democratic elections, could do something of the same again.

A slate of "democratic" candidates ranging from the reformist wing of the Communist Party, through social-democrats, to Greens and liberal democrats, expects to win a clear majority on the future city council.

This time, however, they will not have the chance to cross out the name of the new Communist Party leader, Mr Boris Gidaspov. He has decided not to stand at all.

The question is whether that decision simply postpones the evil day for Mr Gidaspov, the most prominent neo-conservative in the new generation of Communist Party leaders, or whether he can bluff out his refusal to seek a democratic mandate to underpin his party position – as Mr Mikhail Gorbachev, the Soviet and Communist Party leader, has urged all party officials to do.

Leningrad is a classic example of the pressures on the Communist Party apparatchiks, as a result of Mr Gorbachev's strategy of reform from the grassroots. For the Soviet leader, it is a high-risk strategy, which looks to be very successful in weeding out conservative figures from the party bureaucracy but seems to carry on to include the sacking of swathes of middle-level party officials.

In Leningrad, Mr Gidaspov has avoided the worst so far. He has manoeuvred between the left and right, chairing an outspokenly conservative rally, and then redressing the balance by chairing a rally of democrats.

In Sunday's elections, however, the city's democratic forces are confident of a clear victory.

"There are three forces in these elections: the democratic forces, the national patriotic forces, and the party and trade union apparatus," says Mr Yuri Dimitrin, co-chairman of an organisation called Democratic Elections 90, seeking to co-ordinate all the democrats. The biggest problem is that the voters face huge confusion in the polls. There are some 15,000 candidates in the city, standing for three levels of soviet: the all-Russian Supreme Soviet, the city soviet, and local district councils.

"The official election commissions cannot, and do not want to provide the necessary information on the candidates," Mr Dimitrin says. "So our organisation has taken on the obligation of informing voters about the platforms of all the candidates, not only our own."

Democratic Elections 90 represents the motley coalition of democratic forces which has been trying to join forces across the country: a local Popular Front, not so much nationalist as reformist; the Memorial Society dedicated to rehabilitation of the victims of Stalinism; the Green movement; most of the creative unions, like the writers, cinema workers and artists; some workers' clubs, and the Democratic Platform of social democrats within the Communist Party.

They are fielding some 1,500 candidates, but can only hope to gain majorities at the republic-wide and city-wide levels. Out of 37 seats in the Russian Supreme Soviet in Leningrad, they are contesting 35, and in the city council, 390 out of 400. At the district level, perhaps only 1,000 of the 2,450 seats have democratic candidates.

Against them are lined up the nationalists loosely grouped around Pamyat, the fanatically Russian, anti-Semitic organisation which seems to be officially tolerated by the authorities. They are fielding only 150 seats but have a high profile. As for the party and trade unions, they have the candidates, but a rapidly dwindling sympathy. "We think the only way out for them is somehow to disrupt the elections," says Mr Dimitrin.

As for Mr Gidaspov's fate, the tide seems to be running against him. "Leningrad is a conservative city, and Mr Gidaspov is just a reflection of the conservatism of its party apparatus," says Katya Podoltseva, an activist with the Democratic Union, which wants an election boycott.

Yet she believes that he will be gone by the summer, along with many other of the new-old party leadership. "At the last elections, we told people how they could vote against their leaders by crossing out their names," she said. "This time they know without us telling them."

Moscow stops short of free property market

By Quentin Peel

THE Soviet Union yesterday took a big step towards breaking its ideological taboo on the private ownership of land by allowing individuals to lease land for farming. But it still stopped short of allowing a genuine property market.

The Supreme Soviet, the nation's standing parliament, approved a new law which will allow the private use and inheritance of land but still forbids its being bought or sold.

The law on land is intended to be one of the basic documents of Soviet economic reform, although radical reformers fear that it will still leave confusion among farmers and peasants.

What it does is to break the central state monopoly on land, enshrined in the Soviet constitution since Stalin, and grant its ownership instead to the people residing in a particular region or republic. That is intended to reassure demands for regional autonomy from the outlying republics. It also amounts to a big concession by Mr Mikhail Gorbachev, who only a year ago denounced the Baltic republics for demanding the right to control their own land and natural resources.

However, on private property the new law baulks at a final concession. Land plots receive the status of "inheritable property" but they cannot be sold, granted or mortgaged.

The final draft of the law was approved by the Supreme Soviet by 349 votes to seven, with 12 abstentions.

The Communist Party is deeply divided in the debate over the future of Soviet agriculture, primarily because of the question of property rights.

Lithuanians aim to head off independence veto

SEPARATISTS in the Soviet republic of Lithuania aim to head off a possible Moscow veto on independence by convening a meeting of their new parliament first, Reuter reports from Moscow.

A second round of voting in elections originally set for March 10 has been brought forward by a week in 20 districts, Mr Vaclavas Litvinas, vice-chairman of the Electoral Commission, said yesterday.

This enables parliament to meet next week before a session of the Soviet Union's supreme legislature, the Congress of People's Deputies, which is expected to give President Mikhail Gorbachev new powers that could be used to block moves to independence.

Candidates backed by the pro-independence Sajudis movement swept the board in the first round of elections to the Lithuanian parliament. But in 51 districts no single candidate won an outright majority, forcing a re-vote. Parliament can be convened only after two-thirds of all deputies are elected.

First results from Soviet Moldavia, which also voted last weekend, indicated successes for the radical Popular Front movement, although a second round of voting must be held in 240 of the 380 seats.

The government newspaper Izvestia said candidates backed by the movement had won 43 of the 140 seats decided in Sunday's first round. The second round will be held on March 11.

Voters in Ukraine begin to think the unthinkable

Rumblings for independence are heard in the Soviet heartland, reports John Lloyd, recently in Kiev

DOES THE Ukraine want independence? And will it register such a feeling in its republican elections next Sunday?

The question is the largest in the nationalist surge throughout the Soviet Union, for these reasons: the Ukraine is the largest republic outside of Russia, with 50m people; it has a large, but undisclosed number of military and nuclear bases; it is the Soviet granary; and it is a Slav nation, closely linked to Russia for centuries. If it is now possible to assume that the Soviet leadership could reconcile itself to the loss of the Baltic states, no such assumption is possible with the Ukraine.

The present evidence is that the republic has not yet made up its mind, although the election campaign has produced vast shifts in the political and national consciousness of the people. There is no doubt that popular feeling runs strongly against the Communist Party. Since the retirement last September of Mr Volodymyr Scherbitsky, republican party boss for 17 years, his successor, Mr Volodymyr Ivashko, has started to liberalise.

A quartet of local party chiefs were forced to resign after criticism by senior comrades. And last month, the popular front organisation Rukh was registered officially, in part to defuse demonstrations, in part because the party itself is retreating, losing its will.

An election meeting in Kiev provided a graphic measurement of the public mood. Some 14 candidates for the Kiev city soviet (council) had been invited by the election commission. They ranged from Ms Katya Logvinova, a young district party official, and militia senior inspector Valentin Chvertka, 38, to Mr Igor Grigoriev, 55, a mechanic who enjoys the support of Rukh.

Ms Logvinova was given a very hard time. She said she was for multi-party democracy and for the "purification" of the Communist Party. But angry speakers from the audience demanded to know when she had come to these conclusions ("I began thinking about it in 1985," she said doubtfully); what she thought about the flying of the old yellow and blue Ukrainian flag in place of the official red and blue banner ("I think we can have both"); and what she did under the reign of Mr Scherbitsky ("A lot of us didn't support him").

That last reply triggered a furious response from one young man who shouted: "You said nothing! I worked against him, and you were silent!" Another yelled: "You've been dependent and passive all your life! How can you represent us now?"

By contrast, Mr Grigoriev – pleasant but rambling in his speech, and in a wheelchair since an accident on a motorcycle shattered his legs – was treated kindly. "What would you do about food supplies?" "Well, it's hard to give everyone what he wants, but if you came by my house, I'd give you a cake," he said.

The party is frightened now, here as elsewhere. It no longer inspires fear, and thus it no longer can retain power. Its senior members are now openly confronted about shopping at special stores and using the "Fourth Department" special hospitals for the élite. Both issues came up again and again at meetings and rallies I attended. Among themselves, the senior party members talk nervously of the falls of Honecker of East Germany, Jakes of Czechoslovakia and – the most pessimistic – of Ceausescu of Romania.

The party is, however, not lying down. There are increasing signs of support within it for the "Lithuanian option", at least in modified form. That is, instead of trying to suppress nationalism, it seeks to position itself alongside it.

Mr Ivan Saliy is party chief in Kiev's Podol district. He is pushing a moderate form of autonomy which would include economic, cultural and political devolution for Ukraine within the union. "Acquiring sovereignty should be a process, not a sudden act," he said.

He was given a slot for a speech at a big Rukh demonstration in mid-February, when he told the crowd that the party must give up its privileges. The fact that he was so treated is evidence of another complicating feature of Ukrainian nationalism; the deep interpenetration of Rukh and the party.

In an interview, Mr Ivan Drach, the Rukh leader, said that "Rukh was organised by Communists – members of the Writers Union [as he is], and teachers at the philology and philosophy faculties." When I asked Mr Valery Grischuk, a member of the USSR Congress of People's Deputies and a Rukh supporter, if he thought the Communists would be badly beaten in nationalist Western Ukraine, he bridled: "Your question is offensive. I am a Communist."

Mr Drach, an amiable man in his mid-50s, admits his organisation is split between moderate and radical nationalists. He seems content to wait for the result of the elections to see which one will gain the upper hand.

Sergei Konev, a 28-year-old doctor who is now a USSR People's Congress deputy, puts the economic case which, if it is taken up, will be the most dangerous of all for the union. "We have coal, iron ore and agricultural products. We could sell these to the west for hard currency and it would be much more profitable for us. At the moment, 95 per cent of our economy is under Moscow's control and we do not get back what we put in."

Indeed, this line was repeated in conversations in Revolution Square during a demonstration. One man said "we are giving our money to Siberia," a comment that elicited heated assent from those around him.

Ukraine goes to the polls this weekend to find how much of its consciousness is nationalist, how much pan-Slavic, how much still dormant and uninterested in change. The outcome may not be clear but Ukrainian nationalism is now testing itself against the Ukrainian people and it may go very far.

Philippines signs debt accord under Brady plan

By Stephen Fidler, Euromarkets Correspondent, in Tokyo

THE Philippines yesterday became the second country, after Mexico, to sign an agreement with international banks under the new debt initiative launched last March by Mr Nicholas Brady, the US Treasury Secretary.

Under the agreement, signed in Tokyo yesterday, the Philippines will get a $712.5m loan from 82 banks, 10 from the Philippines. The loan follows a buy-back of about $1.3bn of Philippines debt from banks at 50 per cent of its face value.

The Brady initiative switched the international debt strategy away from an exclusive focus on new lending towards a reduction in debt burdens.


Nicholas Brady

Manila had originally expected to raise more in new loans, but more banks than expected, including all the Japanese trust banks, opted to tender their old loans in the buy-back. Yesterday's agreement took longer to arrange than planned, partly because of the abortive December coup attempt against the government of Mrs Corazon Aquino.

Together with debt-equity swaps and other debt reduction operations, the country's medium-term bank debt has now come down to about $5bn from over $7bn at the end of 1988, although the new loan will expand this again. Total bank claims on the country, including private sector loans, are estimated at $11bn.

The Government still has a further $850m available from the International Monetary Fund, World Bank and Japanese Export-Import Bank to fund further reductions in debt or the debt service burden. It is understood to be considering reducing its interest burdens by offering banks a swap of old loans for low-interest bonds. The 15-year bonds are expected to carry an eight-year grace period and an interest rate of 13/16 over Libor.

The agreement will provide the Philippines with about $1.4bn over 1990 and 1991.

Bankers have emphasised from the beginning the "voluntary" aspect of the Philippines deal in contrast with the larger agreement reached with Mexico, when government coercion, particularly from the US, was used to persuade banks to agree a deal.

There had been worries that there would be too many non-participants (so-called free riders) or others that provided little money (so-called cheap riders). But all of the country's largest 50 banks participated in the agreement. The main source of cheap riders were banks whose tenders were refused in the buy-back, because they had tendered loans that the Government decided should be ineligible.

The other advantage cited by bankers is that, unlike the Mexican deal where all but a few foreign banks ceased to be new lenders, the Philippines retained a large core of lending banks.

Apart from those two countries, leading banks have negotiated an agreement with Costa Rica, but the response of banks has yet to be fully gauged. Venezuela too is negotiating an agreement which may copy some elements of the Philippines package.

US expresses new fears at fall in S Korean won

By John Ridding in Seoul

THE US yesterday expressed renewed concern at the value of the South Korean currency, which has fallen steadily against the dollar since the beginning of the year.

It also said that while it welcomed the proposed reform of the South Korean exchange rate mechanism as a "step in the right direction" it would not regard the new system as properly market based until restrictions on capital flows were removed.

The comments were made by Mr Charles Dallara, the assistant US Treasury Secretary for International Affairs at the end of a two-day meeting with South Korean finance ministry officials.

The negotiations, which were aimed at resolving bilateral disputes over South Korea's financial markets, also covered the US demand for greater access by foreign financial institutions to the Korean market, the timetable for the opening of the Korean securities market, and increased funding for foreign banks operating in Korea.

Mr Dallara said there was growing pressure from Congress to take action on disputes with trading partners but there was no immediate prospect of retaliatory steps against South Korea.

According to Mr Dallara, "there were encouraging signs on a number of issues." These included the willingness of the Korean delegation to address the funding problems of foreign banks, which are under pressure to reduce their swap funds, and affirmation of Korea's commitment to the opening of its securities market, which is scheduled for 1992. But he added; "many issues remain unaddressed and require action."

While the US welcomes the reform of the exchange rate system, which establishes an interbank market and which is similar to that used in Taiwan, it argues that substantial restrictions remain on capital flows in and out of South Korea. As long as this is the case, said Mr Dallara, the foreign exchange market will be "small and thin" and easily influenced by the Korean government.

The level of the exchange rate has been at the centre of trade disputes between the two countries, with the US claiming that the artificially low rate of the won has been a factor in South Korea's large bilateral trade surplus.

Tension eased last year as the won appreciated against the dollar and South Korea's trade surplus with the US fell by 47 per cent to $4.73bn. So far this year, the won has depreciated by 2 per cent against the dollar.

Modest triumph for reform in the LDP

Mr Kaifu keeps scandal-tainted politicians out of his cabinet, reports Stefan Wagstyl

THE selection of a cabinet tends to bring out the worst in Japan's ruling Liberal Democratic Party. Nowhere else are the tensions among the party's factions so completely laid bare or promises made at elections so utterly forgotten.

This time, things have been slightly different. After the turmoil of the last year, party leaders are being forced to pay more attention to public opinion. Mr Toshiki Kaifu, the Prime Minister, determined to respond to public criticism of political corruption, fought off an attempt by two faction leaders to install scandal-tainted politicians into his cabinet.

Mr Kaifu, who has little power in the party, could not have succeeded without the backing of the largest faction, headed by Mr Noboru Takeshita, the former prime minister, or without hours of traditional inter-faction bargaining. Nevertheless, the result represents a modest triumph for the cause of reform inside the LDP.

The arguments began almost as soon as the scale of the LDP's victory in this month's general election became known. Faction leaders submerged themselves in negotiations over choosing the new cabinet. They quickly decided to ditch the two women in the last cabinet – Mrs Mayumi Moriyama and Mrs Sumiko Takahara – appointed last summer simply to counter the popularity of Miss Takako Doi, the dynamic head of the opposition Japan Socialist Party.


Prime Minister Toshiki Kaifu (left) successfully resisted attempts by Shintaro Abe (centre) and Michio Watanabe (right) to compromise his goal of appointing a corruption-free cabinet

Mrs Moriyama, who occupied the most senior government post ever held by a woman, complained bitterly about her summary dismissal saying: "What have I done?" But her pleas went ignored by the LDP and the public-spirited Mr Kaifu.

However Mr Kaifu did not ignore attempts by faction leaders to install Mr Yoshiro Mori, named in the Recruit affair, and Mr Koko Sato, an ex-minister convicted in the Lockheed bribery scandal of the 1970s, in his Government. Having pledged his commitment to clean government in the election he stood his ground and fought to prevent their appointment.

Mr Shintaro Abe, Mr Mori's faction leader, quietly withdrew his suit when he learnt Mr Takeshita was ready to support Mr Kaifu's argument. However, Mr Michio Watanabe, leader of Mr Sato's faction, refused to give in gracefully and repeatedly pressed Mr Kaifu to change his mind on the grounds that Mr Sato had been re-elected several times since his conviction and so had been "purified". Mr Watanabe, a tough-talking man who once said that if people wanted clean politicians they should elect priests, is said to have fought hard in an attempt to display his power to his faction, which he has just inherited from Mr Yasuhiro Nakasone, the disgraced former prime minister.

Mr Kaifu's got his way but his success may be short-lived. He achieved what he wanted but only after tortuous negotiation. Later this week he must go to the US to meet President George Bush, who is certain to demand more progress on correcting economic imbalances between the two countries. Mr Kaifu will be in no position to make promises unless he can guarantee the LDP will support him. He can only do that if Mr Takeshita backs him.

Mr Takeshita is happy to do this for the moment, because the alternative prime minister could be Mr Abe, a strong politician who would be less susceptible to Mr Takeshita's influence. However, a weak prime minister may turn into a liability. Not only has Mr Kaifu to deal with trade issues, he has also to handle a divided Diet (parliament) in which the LDP controls the lower house and the opposition the upper house.

Having a clean cabinet is important to Mr Takeshita, not for ethical reasons, but because it increases the possibility of doing deals with the opposition parties for the passage of bills in the upper house. The Socialists are unlikely to compromise with the LDP but small centrist parties might. These parties, which have attacked the LDP over political corruption, might baulk at supporting a cabinet with scandal-tainted members.

In this roundabout way, Mr Takeshita is acknowledging the force of public criticism of political corruption. A sign perhaps that the LDP will not ride rough-shod over public opinion as often as it has in the past.

Cambodian conference in jeopardy

By John Murray Brown in Jakarta

CAMBODIAN delegates last night failed to agree a closing communiqué at peace talks in Jakarta, putting in jeopardy hopes of an early resumption of the Paris international conference aimed at ending the 11-year conflict.

Delegates blamed both Vietnam and the Khmer Rouge, the largest of the resistance factions fighting the Hanoi-backed Phnom Penh regime for failure to agree the wording of a 17-point communiqué. A French official said Mr Nguyen Co Thach, the Vietnamese Foreign Minister, had insisted on explicit mention of the "non-return of the genocidal practices of the Pol Pot regime."

It was under the three-year Khmer Rouge rule of Pol Pot that an estimated 1m Cambodians were exterminated, prompting Vietnam's invasion on Christmas Day 1978.

The Khmer Rouge is understood to insist on a reference to the "Vietnamisation" of Cambodia.

The five permanent members of the UN Security Council were due to meet in the second week in March on Cambodia. But given the hardline positions of the factions there appears little chance of an early restart to the peace process.


Zambia's President Kenneth Kaunda points the way to Mr Nelson Mandela in Lusaka yesterday. The African National Congress leader recently released from jail in South Africa is in the Zambian capital for meetings with key ANC figures, "front-line" and Commonwealth representatives. He rejected calls for concessions to Pretoria to encourage further reforms, Mike Hall writes from Lusaka. He said that as long as Pretoria maintained the state of emergency, held political prisoners and returning exiles were under threat of prosecution, the ANC could not be expected to concede further.

Leaders urge end to Beirut's Christian warfare

By Lara Marlowe in Beirut

SPORADIC bursts of artillery and machine-gun fire marked the end of the first month of inter-Christian warfare yesterday as religious leaders demanded an immediate cease-fire and end to the hostilities.

Invited to pray for peace at the Maronite patriarchate onthe mountainside at Bkerke, the Christians of East Beirut instead continued to pour out of the enclave, into Syrian-controlled areas to the north, east and west of the embattled region.

Mediation attempts by the Palestine Liberation Organisation (PLO) and a committee composed of a Maronite Catholic lawyer and two churchmen could make no head-way in the face of the reiterated demands by Christian Lebanese General Michel Aoun that the Phalangist militia disband and that its political leaders denounce the Taif peace accord concluded in Saudi Arabia last October.

Fears of a resumption of all-out war in East Beirut have coincided with rumours of an imminent release of western hostages in West Beirut.

The rumours appear to be based on an article in the Tehran Times and the Friday prayer sermon of Sheikh Mohammed Hussein Fadlallah, the spiritual leader of Hizbollah, both of which called for the captives' liberation.

A wealthy Moslem businessman said he had received two unprecedented approaches regarding the hostages from persons whom he considered "credible" within the past ten days.

Moda'i breaks from Likud with four other MPs

By Eric Silver in Jerusalem

FIVE disaffected MPs of the right-wing Likud, led by Mr Yitzhak Moda'i, the Economic Affairs Minister, last night broke away to form an independent faction in protest at what they call the "undemocratic" stewardship of the Prime Minister, Mr Yitzhak Shamir.

Their defection reduces Likud to 35 MPs in the 120-seat Knesset. Labour becomes the biggest party with 39 seats. It weakens Mr Shamir's parliamentary hold and may force him on the defensive, reducing his willingness to take risks for peace. He is being challenged both as Prime Minister and party leader. His scope for manoeuvre is being eroded.

Mr Shamir was at pains to assure a meeting of Likud ministers yesterday that he had reached no conclusions on the latest American compromise for advancing the peace process. This contrasted with signs earlier this week that his response would be positive.

At a press conference in Tel-Aviv, Mr Moda'i announced the establishment of the Party for the Advancement of the Zionist Idea. He hinted, however, that once they were recognised by the Knesset house committee, they would be open to alliances with either Likud or its uneasy Labour partner in the national-unity coalition. Their preference was still for Likud, which earlier this week refused to let them function as a separate faction within the party.

Mr Moda'i appears to be playing power games, rather than making a final break, but initial reactions in the Shamir camp last night were discouraging.

The Economics Minister's base is regarded as extremely fragile. "No one can force him to stay," an aide of the Prime Minister commented. "But defection is political suicide for Moda'i, whose electoral appeal is absolutely nil."

He and his colleagues are members of the former Liberal Party, which joined the nationalist Herut in 1969 to form a centre-right block, which eventually became Likud. Mr Moda'i supports Mr Ariel Sharon, who resigned from the Government last week, in his crusade against the national-unity coalition's peace initiative.

This latest development in an escalating Likud revolt will reinforce Labour's determination to win an early decision on the next stage of the peace process. The party leader, Mr Shimon Peres, last week gave Mr Shamir until March 7 to accept a new American formula on the composition of a Palestinian delegation to preliminary negotiations.

Likud, which fears that Mr Shamir will make concessions putting Israel's hold on the occupied West Bank and Gaza Strip at risk, is in turmoil. Three small parties to the right of Likud, cheered on by the Gush Emunim settlement lobby, have concluded that this is the moment to take a stand. Earlier this week 23 of Likud's 40 MPs signed a petition urging the Prime Minister to call an emergency session of the parliamentary party.

Britain urges release of journalist in Sudan

By Our Foreign Staff

THE British Government yesterday expressed its "growing concern" at the continued detention of Mr Julian Ozanne, the Nairobi-based East African correspondent of the Financial Times and the Sunday Correspondent, held by Sudanese security police in Khartoum for the past eight days.

The Sudanese Ambassador to Britain, Mr Sayed El Rashid Abushama, was summoned by the Foreign and Commonwealth Office to be told of the Government's concern. Mr David Gore-Booth, an Assistant Under-Secretary, informed the Ambassador of the Government's "wish" that Mr Ozanne should be either released or charged.


Julian Ozanne

Mr Ozanne, whose hotel room in Khartoum was searched by security police, was on an assignment to the Sudan for the Sunday Correspondent. Certain documents were confiscated, including reports critical of Sudan by the human rights groups Amnesty International and Africa Watch, Mr Ozanne told Reuters news agency before being detained.

Colonel Bakri Hassan Saleh, a member of Khartoum's ruling junta in charge of security, whom he had interviewed on Tuesday last week, had accused the western media of being hostile to Sudan, Mr Ozanne said. He was also told that he should have asked for official permission before attempting to see Mr Sadiq el-Mahdi, the former head of government, deposed in a military coup by General Omar el Bashir in June last year.

However, Mr Ozanne has not been officially charged. Though he has been held at security police headquarters and interrogated regularly about his contacts and sources, the British Embassy in Khartoum has had daily access to him and has provided him with food and newspapers. British officials said he was in good health.

Sir Geoffrey Owen, the Editor of the Financial Times and Mr Peter Cole, Editor of the Sunday Correspondent yesterday expressed their dismay at the continued detention of Mr Ozanne. "Julian Ozanne is a very professional and highly regarded journalist," Sir Geoffrey said. "There is no reason to suppose that he was doing anything other than carrying out his job as a journalist."

Mr Cole said it was "unacceptable" for governments to hold journalists because they were diligent in asking questions. "Even the Sudanese Government have not accused him of anything other than carrying out his work as a journalist."

Hundreds of members of the democratic opposition, including doctors, lawyers and journalists, have been arrested by the authorities over the last few months, as Islamic fundamentalists have consolidated their position in the ruling Revolutionary Council.

The military government was last month accused in a 34-page report by Amnesty International of the torture and killing of villagers and prisoners in a civil war with southern Sudanese rebels which has been going on for nearly seven years.

Meanwhile, Western countries have threatened to stop funding a relief operation to famine-stricken southern Sudan in a row with Khartoum on exchange rates, Reuters reported yesterday.

Western Ambassadors in Khartoum were also at loggerheads with the United Nations over its handling of negotiations with the military junta on the much-delayed relief programme. The UN-led Operation Lifeline Sudan was scheduled to start on January 1 at an estimated cost of $200m, in the second phase of a similar programme which ended on October 31, after taking more than 100,000 tonnes of supplies to the south.

Some 250,000 people are estimated to have died of hunger or disease in Southern Sudan in 1988.

China picks up the classic capitalist tool of devaluation

Victor Sun examines whether the latest measures are sufficient to boost the country's flagging export competitiveness

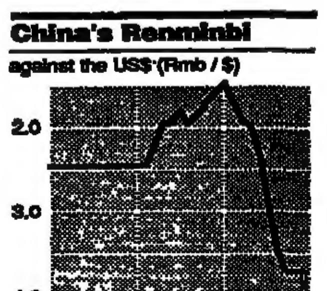
THE recent devaluation of the Chinese renminbi yuan has made one thing plain: the People's Republic continues to rely – to some extent at least – on market forces in its attempt to restore competitiveness. But will it work?

China had been seeking to devalue the yuan for three years but had refrained for fear of fuelling inflation. It was not until inflation had fallen sharply as a result of the austerity programme that the government saw the chance to make a long overdue move. The devaluation in mid-December – by 21.2 per cent against the US dollar – far outstripped the yuan's 14 per cent devaluation in 1986.

The rationale for devaluation, according to the State Administration for Foreign Exchange (SAFEC), was to improve the balance of payments by boosting production and foreign trade. With falling earnings from tourism and the near freeze of foreign loans since June, China needs other sources of foreign currency income to meet the coming peak of foreign debt repayment.

China's Renminbi

against the US$ (Rmb / $)



The competitiveness of Chinese exports has been steadily eroded in recent years by inflation. When measured against similar goods produced in the US, Chinese competitiveness decreased by 12 per cent in 1988 and by 15 per cent from January to September 1989.

The yuan devaluation seeks to restore Chinese competitiveness, or at least halt the decline, since it raises the US-China Competitiveness Index 20 per cent above its end-1988 position in one fell swoop.

But a number of factors combine to suggest that price changes may not follow from the devaluation of the currency.

- **Restricted use of official exchange rates.** The devaluation will affect directly only trades carried out at the official foreign exchange rates. This excludes an estimated 6 per cent of China's total trade carried out at Foreign Exchange Adjustment centres (FEACs) and an unknown percentage transacted at black market or subsidised rates.

Tourists from Hong Kong and Macau often obtain yuan on the black market and in some areas of Guangdong province Hong Kong dollars are accepted in transactions. Similarly, most Chinese export contracts, luxury hotel services and even some wages are quoted in foreign currency, with a US dollar denominated value which is thus unlikely to change.

- **Changes in prices or subsidies.** If the government reduces export subsidies (on grounds that higher export prices reduce the need for subsidy), or raises domestic prices - or if producers raise the price of goods supplied to foreign enterprises such as joint venture hotels – the advantages of devaluation will be partly offset.
- **Constraints from low price-elasticity.** Devaluation will have little effect on the volume of essential imports, or on the price of goods or materials for export which are in low demand on the international market.
- **Quantity or quality constraints.** Currently about 50 per cent of China's import-export trade is regulated by quotas and licences. Devaluation will have little effect on transactions involving these goods. Chinese exports are also frequently of a lower quality and this will limit any potential surge in demand.

Devaluation will not necessarily improve the balance of trade. Two-thirds (by value) of China's imports are industrial and capital goods deemed "essential." The volume of these imports is unlikely to be reduced substantially by price rises resulting from devaluation. Within the remaining third are essential food-stuffs such as grain and sugar. Other imports, such as luxury consumer goods, are already tightly controlled.

Since there is little scope for import substitution from domestic production there may be changes in the sourcing of imports, with China seeking cheaper supplies or lower quality goods; but devaluation is unlikely to lead to a substantial reduction in imports.

On the export side, expansion will be similarly constrained by world market conditions and by domestic demand. Half of China's exports by value are in raw or processed materials such as crude oil and agriculture products, many of which are abundant on world markets. Textiles and garments account for some 25 per cent of total exports, but trade (and therefore price response to volume) are restricted by foreign import quotas.

While there are many factors constraining export expansion from the demand side, devaluation may improve export opportunities for simple manufactures and light industrial goods which China can mass produce at acceptable quality standards.

There are constraints too on the supply side, but devaluation may relax one of these. The overvalued yuan had encouraged Chinese traders to direct exports to domestic markets, but the adjusted exchange rate should make this pool of goods more readily available for export.

Overall, the devaluation should improve China's balance of payments, even though its full potential may not be realised. It should help to expand some export markets and curtail some types of import as well as accelerate the post-turmoil recovery of tourism.

While the total impact of devaluation is difficult to quantify, the intention to stimulate exports should enable some sectors of the economy to grow more strongly in 1990.

Chinese officials have also hinted that the gap between the official exchange rate and the swap rate quoted by the FEACs may eventually be closed by further devaluations, reducing the need for government subsidies. It is clear, however, that the impact of future devaluations will be greater if China continues to reform its foreign exchange system, trade subsidies and pricing, and to rationalise its trade structure. Such changes would make the economy more responsive to the price changes brought about by devaluation.

Victor Sun is manager, China Services at The Hongkong and Shanghai Banking Corporation, London.

AMERICAN NEWS

IMF suspends its stand-by credit deal for Argentina

By Gary Mead in Buenos Aires

ARGENTINA'S current stand-by credit agreement with the International Monetary Fund (IMF), worth $1.4bn (£823m), appears to have collapsed, according to sources close to the negotiations.

The second tranche of the credit, signed last November, of some $230m was due to be disbursed in February but has been suspended due to the Peronist government's failure to meet targets signed in the letter of intent delivered to the IMF.

According to foreign bankers "there is no mood in the IMF executive board for concessions to Argentina", and the only prospect is for drawing up a fresh letter of intent. The IMF waived conditions on a previous loan, in March 1988 under the Alfonsin administration, only to discover in the following months that the Government failed to implement agreed structural changes in the Argentine economy. The IMF is reportedly wary of seeing the same happen with President Carlos Menem.

Among the intentions set out in last November's IMF agreement was the balancing of Treasury accounts. However, preliminary estimates suggest that February saw a Treasury deficit of $40m (250bn australs), largely due to the printing of some 300bn australs ($48.3m) to pay public sector wage rises granted after trades union protests at hyper-inflation running at a monthly 80 per cent.

As one means of combatting recurring Treasury deficits, the Government is contemplating the introduction of index-linked taxation for manufacturers.

If introduced, the indexation would be tied to the daily fluctuations of the exchange rate, of between 10 and 15 per cent.

Northrop pleads guilty to improper military tests

A major contractor for the US military, Northrop Corporation, has agreed to plead guilty to 34 counts of making false statements and to pay a stiff $17mfine after after more than a year of fighting charges that it failed to test certain missile and jet equipment, Reuter reports from Los Angeles.

The guilty pleas yesterday in federal court in Los Angeles were the first admission of corporate wrongdoing by Northrop over testing of some of the United States' most sophisticated and expensive weapon systems. The fine was one of the stiffest ever imposed on a military contractor.

The charges stem from a government probe initiated about three years ago over whether Northrop falsely certified that the parts for the Harrier jet used by the Marines and the Air Force's cruise missile were properly tested. Charges against Northrop were filed last April.

Northrop had countered that the testing problems were due to unauthorised actions by individual employees, but accepted to plead guilty in exchange for the US Government's agreeing not to seek further charges against Northrop from other pending investigations.

The government also dropped 139 other counts of making false statements and two counts of conspiracy regarding Northrop's now-closed Western Services department against Northrop and certain charges against two Northrop executives.

Northrop said in July 1987 that it first discovered and disclosed to the government that some employees at the 30-person Western Services unit in Pomona, California, had admitted failing to make tests on electronic equipment.

The company dismissed the plant manager and three employees and closed the plant by year-end, transferring the work to its Precision Products Division.

With the guilty pleas, the Defence Department may suspend Precision Products from government military contracts.

China back in World Bank fold

By Peter Riddell in Washington

The World Bank has now resumed regular lending to China, according to Mr Barber Conable, its president. The Bush Administration insists that it will review loans on a case-by-case basis, judged by the yardstick of basic human needs.

Late on Tuesday the Bank's board unanimously approved a $60m loan to support agricultural projects in a very poor region in north-east China.

The decision had been deferred nearly three weeks ago on the insistence of the US. This was to allow time for further debate in the administration.

New lending to China was frozen last June after the Tiananmen Square massacre, but the Bush Administration announced at the beginning of this year that it would approve loans for humanitarian purposes on a case-by-case basis, while still opposing lending for economic development and infrastructure projects. Earlier this month the US supported a $30m loan to repair earthquake damage.

The State Department says that US backing for the $60m loan fits into the acceptable category and does not represent unqualified support for new international lending.

More than $700m in Bank loans to China are in the pipeline, and given the US view there will clearly be a close review of each one as it comes up. While it is the largest single shareholder, the US does not have a veto on Bank loans and the outcome will depend in part on the attitude of other leading shareholders.

Mr Conable said after the board decision that the Bank was now back to regular lending to China. He said the Peking government had "slowed up its reform programme for some very good reasons and the loans now have to be reviewed."

He has argued that Bank loans to China are based on only economic considerations and the suspension last June was to make sure the Chinese Government could fulfill its financial obligations.

The Bank, he said, would be taking up some new loans as well as old ones which were frozen last summer.

Sandinistas have lost office but not power

Tim Coone reports on the constitutional limits imposed on Nicaragua's Opposition

IT WOULD be easy to describe Nicaragua as a domino falling like others in the Soviet empire, but that would be misleading.

Nicaragua is not even like Macondo, the Colombian city-state invented by Gabriel García Márquez in his book *One Hundred Years of Solitude*. When the Liberals took power, they changed all the laws and kicked all the Conservatives out of their government posts. When the Conservatives took power they did the same. They were constantly at war.

Fears of the defeated Sandinistas, for their jobs, for their homes, even for their lives, have been mirrored by the expectations of the other side, the US-backed opposition alliance, the National Opposition Union (UNO). Its hope is clearly to make a clean sweep of the Sandinista state, to settle accounts, even seek revenge, and to make the most of new opportunities.

It will not be like that though, unless the Opposition wants a civil war. What the public is just beginning to understand is that over the past 10 years, while the army has been fighting in the mountains against the US-backed Contras, the Sandinista deputies of the National Assembly have been busy rewriting the laws and Constitution of the country.

Those laws and the Constitution set up the elections which have just produced the electoral defeat of the Sandinistas. Those very same laws and Constitution will now defend many of the changes brought about as a result of the 1979 revolution. In Nicaragua, a 60 per cent majority vote is required in the National Assembly to enact reforms to the Constitution. For a complete change to the Constitution, a two-thirds majority is required.

UNO has won the elections with 55 per cent of the vote. Although the complete results will still take several days to be computed, UNO has won 52 or 53 seats in what will probably be a 91 or 92-seat National Assembly. It has fallen short by three to four seats to have sufficient power to reform the Constitution.

Thus, unlike the countries of Eastern Europe, where the ruling Communist parties are disgraced and facing devastating defeat in coming elections, the Sandinista party is intact and remains the biggest and best-organised party in the country. The institutional framework set up during almost 11 years in power will also remain intact.

The speech by the defeated President, Mr Daniel Ortega, on Tuesday, in which he said the Sandinistas (FSLN) will not permit the denationalisation of the banks, foreign trade, natural resources and public sector enterprises, has to be seen in that context.

Without Sandinista consent, UNO will be unable to make these changes as the nationalisation of these sectors is written into article 99 of the Constitution. In the same way, President Ortega's warning that the FSLN will resist attempts to change the labour code, to restrict the right to strike or to form trade unions, is also based on a constitutional argument.

More importantly, UNO will have to tread carefully when it comes to demobilising or reorganising parts of the armed forces and Interior Ministry. Article 93 of the Constitution states: "The Nicaraguans have the obligation to take up arms to defend the nation and the conquests of the people, against aggressions and threats by a foreign country or by forces led and supported by any country." UNO and its Contra allies, with their backing from the US, fall precisely into such a category. The armed forces are constitutionally obliged to defend the Constitution.

Together with other articles of the Constitution, the Sandinistas will have enough arguments to justify resistance to any efforts by the new government to make sweeping changes in the armed forces.

Two other powers of state, the seven-member Supreme Court and the five-member Supreme Electoral Council (CSE) will also remain in Sandinista hands for a number of years. The CSE, having just presided over what has been universally praised as a clean electoral process, should not be a problem for UNO, having just won the elections with what it considered a biased CSE. The CSE members were nominated just last year and will not be replaced by the National Assembly until 1995. Similarly, the new UNO government will have to govern with a Sandinista-controlled Supreme Court until 1993.

In retrospect, the FSLN has done a remarkable job in producing a new institutional framework during its time in power, and which is carefully designed to prevent the brusque changes which produce political and economic instability.

Mr Rafael Solis, one of the Sandinistas' leading deputies in the National Assembly, was asked yesterday by an irate UNO supporter on a radio phone-in programme: "Do you mean to say we have to govern with this Sandinista Constitution?"

He replied: "If you accept the result of the elections, you have to accept the Constitution. That is democracy."

Mr James Baker, US Secretary of State, expressed confidence yesterday that the Contra rebels would reintegrate quickly into Nicaraguan society, writes Lionel Barber.

"The war is over," he told a congressional committee. President Bush, who spoke for 49 minutes with President Mikhail Gorbachev yesterday by telephone, said he was pleased that Moscow had accepted the election result. Meanwhile, Nicaragua's president-elect, Mrs Violeta Chamorro, has welcomed the Sandinista ceasefire announced yesterday.

Threat to Mexican tourist trade

By Richard Johns in Mexico City

TWO supporters of the left-of-centre Party of the Democratic Revolution (PRD) and an anti-riot policeman were killed in a clash on the road to Zihuatanejo airport on Tuesday amid growing fears that political violence is adversely affecting the tourist business in the state of Guerrero.

Confrontations also took place on the outskirts of Acapulco as PRD activists who were protesting over the results of the December 3 municipal elections attempted to block the road from the international airport to the Pacific coast resort.

At least 50 people were reported injured and 34 arrested in the continuing bitter campaign waged by PRD followers over the results of the polls for the state's 118 town halls.

President Carlos Salinas de Gortari underlined the gravity of the situation last Friday on a visit to Acambaro in Guerrero, saying that political confrontation and violence threatened investment and employment.

The central committee of the PRD, meanwhile, has said it is sending details to the Organisation of American States' Commission on Human Rights about the "dirty war" allegedly being waged against it in Guerrero by Mr José Francisco Ruiz Massieu, the governor, and about the deaths of some 60 party activists since the presidential elections in July 1988.

A dialogue between the PRD and ruling Institutional Revolutionary Party (PRI) under the auspices of the Ministry of the Interior came to an end on Monday when the state congress agreed that the elections in six municipalities should be annulled because of irregularities and held again.

At the end of last year the State Electoral Commission awarded 58 of the town halls at stake to the PRI, three to minor left-wing parties and nine to the PRD.

The PRD claims that blatant fraud on the part of the electoral authorities, which are effectively controlled by the PRI, robbed it of another 20.

At one point, PRD members had occupied 20 town halls in Guerrero in protest, and at the end of last week still held five. They had been evicted by riot police from Acapulco town hall only as late as February 17.

A private sector organisation has lodged with the Acapulco public magistrate a claim against the PRD for 18bn pesos (£2.8m) in respect of damage to tourist promotions and urban installations. At the same time, Mr Juan San Roman Ortiz, head of Acapulco's airport services, was quoted this week as saying that more than 200 charter flights, mainly from Canada, had been cancelled during the December-April holiday season.

Ford faces stoppage at Mexican assembly plant

By Richard Johns in Mexico City

THE THREAT of another work stoppage in Mexico hovered over Ford at its assembly plant at Hermosillo in the state of Sonora as the existing contract expired yesterday without agreement on its renewal.

Some 1,200 workers at the facility have demanded a rise in wages of 75 per cent but the union leadership has indicated that the major preoccupation during the final stages of the negotiations would be fringe benefits.

The bargaining at Hermosillo, an export orientated plant undergoing a $300m expansion and retooling schedule for completion in April, comes at a time when the company's dispute involving a large part of its labour force at the Cuautitlan plant is still unresolved. A minority of the labour force returned to work at the plant on February 12 after a five week closedown over the union leadership, although no formal strike was ever involved.

A substantial proportion of the workforce has yet to be rehired following the issuing of dismissal notices by Ford three and a half weeks ago.

A Ford spokesman based in Detroit recently said that the company was re-employing workers on a "case-by-case basis."

Hermosillo is switching to production of the 1991 Tracer model under the expansion programme.

Capacity is to rise by 25 per cent to 700 vehicles a day with two shifts operating, or 165,000 annually. Another 750 jobs have been created under the programme.

In the protracted Cuautitlan dispute an attempt by Mr Arsenio Farell, the Minister of Labour, failed to resolve differences.

WORLD TRADE NEWS

Commission backs tidier EC customs rules

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday gave its approval to a measure that will tidy up the complex mess of community customs legislation vis-à-vis third countries.

Mrs Christiane Scrivener, the commissioner responsible for taxation, said yesterday that the aim of the proposal was to create a system of rules that was coherent and transparent.

The Commission has agreed on a single code that will draw together all the diverse parts of customs rules of individual member states, setting general conditions of for the applications of Community tariffs.

The work on harmonising customs arrangements has been progressing since 1968, to a point where the customs union of the 12 demands a common customs law, the Commission said yesterday.

The code will draw together several dozen different pieces of legislation into a single structure, along the lines of similar legislation already adopted by some member states. It will be founded on the different pieces of customs legislation already existing, and will form a central part of the EC's trade relations with the outside world.

The code will come into force on the first day of the single market, January 1 1993.

Thai 'pirates' under attack

By Nancy Dunne in Washington

THE naming of Thailand to a list of countries to be closely scrutinised for potential US trade sanctions has failed to curb Thai piracy of intellectual property rights for recordings, motion pictures, books and computer software, according to an alliance of several US industry groups.

This charge, by the International Intellectual Property Alliance, along with other comments has been submitted to Mrs Carla Hills, the US Trade Representative. Her office was authorised by the 1988 trade law to retaliate against countries which fail to protect foreign copyrights, trademarks and patents.

Eight industry groups, including the Motion Picture Association of America and the Recording Industry Association of America, send reports to the Alliance from their representatives throughout the world. Thailand is one of four countries on a "priority watch list", along with China, India and Brazil.

Mrs Hills has the option of bringing a Section 301 trade action against the four if they do not rectify their practices by the end of May. They would then have six to nine more months to act before sanctions could be imposed.

Overall, Alliance members say piracy has dropped sharply since it first estimated trade losses in 1985 at $1.3bn (£760m). South Korea is cited as one country showing improvement in enforcement of book and software piracy, although the group complains that penalties are "still too low to operate as an effective deterrent".

Taiwan has reduced the problems for the motion picture industry of theft of videocassettes in its rock music centres. But a recent amendment to its copyright law repeals the exclusive rental right for sound recordings, computer software and videos and significantly reduces protection.

According to the Alliance, China has fulfilled a commitment to introduce a copyright law, but its provisions have not been made public. Reportedly, both computer software and sound recordings would be given some protection.

On other countries, the Alliance reports:

- No discernible changes on the anti-piracy front in India, and various market access restrictions imposed on the motion picture and software industries;
- A significant drop from 1988 in video piracy in Brazil, despite still inadequate enforcement efforts;
- Losses of an estimated $117m in Mexico for piracy of recordings, motion pictures, software and book.;
- Passage of a copyright law in Saudi Arabia, which includes terms of protection of only 25 years rather than the usual 50.

The Romanian rag trade gets back into gear

Judy Dempsey sees a fashion parade in Brasov

HOW any Romanian enterprise managed to survive, let alone prosper, under the Ceausescu regime is beyond the imagination. But that was what was required of Mr Ilie Costache, an amiable, enthusiastic manager of one of Brasov's largest textile enterprises.

He welcomed me into a large hall. Out of nowhere, young male and female models paraded along a make-shift stage. The cut of their clothing was simple but elegant, the colours were bright. Young and old were giving up their Saturday morning to put on a fashion show.

"The clothing you see here is what we had to export under the old regime," says Mr Costache.

The Interprindea textile factory, which employs more than 2,000 people was first founded in 1896 by a local Saxon. The ethnic Germans who had settled in Brasov and Sibiu several centuries before, were, in Mr Costache's words, "the jewel of Romanian industry".

The German community ran the factory until 1948, when everything was nationalised and the 750,000-strong German community started to emigrate.

Under the Ceausescu regime, the enterprise was just one of many which was ordered to export. The drive to earn hard currency was an essential part of Mr Nicolae Ceausescu's plan to repay the country's hard currency debt at break-neck speed. But the more the workforce was extolled to export and work harder, the more it revealed the inherent weaknesses of the Ceausescu policy and of the enterprise itself.

The first problem to emerge was the lack of capital investments for the enterprises.

"The last time we bought machinery was back in 1984. We imported it from West Germany," explains Mr Costache. "It was very good. We also bought some equipment from Italy. Our production increased."

But things started going wrong in the mid-1970s. Investments were cut. "If we wanted to be competitive, we needed computerisation for cutting and for designs. We soon realised we were dealing with medieval machinery."

Then, however, the pressure to export was not as great as in the 1980s, so the obsolescent machinery continued, just about, to suffice.

But when all imports were banned in the mid-1980s and when the enterprise had no control over their hard-currency earnings, morale among the workforce deteriorated.

"We were told to export 70 per cent of our total production," says Mr Costache. The Foreign Trade Organisations, whose aim was to find markets for Romania industry, located several interested companies specialising in the rag trade in New York and in Great Britain. For them, Romania provided cheap labour and a skilled workforce.

Profits soon increased, rising from $4m in 1985 to over $6.5m (£3.8m) in 1988.

Needless to say, the enterprise had no control over the earnings, which always went straight into the Foreign Trade Bank. And despite the ageing equipment, investment in new machinery was out of the question. Any thought of subscribing to western fashion magazines amounted to heresy.

Any thought of subscribing to western fashion magazines amounted to heresy.

Mrs. Melenia Gosman, the chief designer, recalls how she was not even allowed a few dollars to buy fashion magazines to design new models.

"Can you imagine? We had no foreign catalogues to work from. Foreign businessmen who visited the factory left us some magazines, or else they simply gave us a sample from which we had to cut and design. Sometimes Bucharest sent us some photos. But it was like seeing a movie. Everything was second-hand. We just had to use our imagination."

But imagination ran out when Romania lost its Most Favoured Nation Status two years ago. This was a great blow to the enterprise. Under MFN status, tariffs for exporting textiles to the US were reduced by as much as 90 per cent. Once it was dropped, the US market slowly began to dry up. The enterprise were forced to seek new outlets.

"We found some – in Australia and New Zealand," says Mr Costache. "But that was not the real problem. It took time to make up for the loss of the US market. At one point we met only 20 per cent of our export quota. And what happened? The workers received only 20 per cent of their wages. That was the law."

Mr Costache reckons he could have made up the loss if he had travelled abroad himself. But that too was out of bounds.

"We had no money to travel. And besides, we were not allowed. Anytime western businessmen came here, we could not tell them the truth about the machinery and about the problems we had because the Securitate [the secret police] always sat in on the discussions."

But now, two months since the overthrow of the Ceausescu regime, the management and employees are more than enthusiastic about the future. Mr Costache says he intends to invest in new machinery. Mrs Gosman says she wants to work on new designs: "We want to make our clothes them more beautiful. We want to raise the technical standards and we want to increase our productivity."

Neither has any intention of exporting at the pace of the old days. "First, we want to make clothes for our Romanians. We want to dress them as good as the French or the Americans. For years, Romanians had no access to these designs. Everything was exported," explains Mrs Gosman.

Well, almost everything.

As their own way of resisting the Ceausescu regime, Mr Costache and his colleagues recall how they regularly put aside export material. "When the Securitate were not hanging around here, we allowed Romanians to come in here and buy these clothes for local currency. It was illegal. But under them [a euphemism for the Ceausescus], we had nothing. So we gave the Romanians just something to make life a bit easier."

Differing aims put trade at risk

Nancy Dunne on trade initiatives between the US and Moscow

DIFFERING objectives among US trade agencies trying to improve bilateral trade relations with Soviet negotiators are threatening to create an inconsistent package to deal with the realities of the new era in eastern Europe.

At the office of the US Trade Representative (USTR), which oversees talks on trade and investment treaties, the effort is to use lower US tariffs and trade credits as bait to encourage the development of free market mechanisms within the USSR.

Mrs Carla Hills, the US Trade Representative, is seeking protection for American intellectual property; the rights of American companies to operate freely – to advertise, select commercial representatives, and stock the parts needed, to be free of mandates to barter or countertrade.

Under a separate initiative, USTR is exploring the feasibility of a bilateral investment agreement, but that must wait for more Soviet reforms and probably cannot be concluded by June.

Talks are also underway on pacts governing both grain sales and shipping. Both are relics of the Cold War years when national and market security were assigned top priority.

The practice of Longterm Grain Agreements (LTA) was instituted in the 1970s after the Soviets demonstrated their familiarity with the commodity markets well enough to clean out the US storage bins. With the US holding the largest share of the world's exportable grain, the objective was to prevent market disruptions.

The first agreement, and the two which followed, contained minimum purchase requirements and maximum permissible purchases above which government permission would have to be granted before sales could be concluded.

As world production soared, the objective became one of providing a stable market for American surpluses. When, in some years, the Soviets failed to meet even minimum buying commitment levels on the grounds that US grain was too expensive, the US threw in millions of dollars in subsidies.

Decades ago "cargo preference" agreements were designed to strengthen the US merchant marine by protecting it from foreign competition. Instead, the fleet, protected by the realities of foreign competition, failed to develop efficiencies needed to survive in today's competitive environment.

Although bilateral purchasing arrangements by no means set a sterling example of free trade, the US is once again renegotiating an LTA at the behest of its farmers. Many farm groups would like purchasing commitments higher than the current 9m tonnes and an expanded list of products covered.

Not all farm interests support the LTA concept. Cargill, a major grain trading company, has questioned the need for the pact and suggested that maximum purchase levels discouraged Soviet purchases.

More should be made of the US competitive advantage rooted in the flexibility and responsiveness of its production and marketing system, the exporter said. Maximum purchase levels could be eliminated or at least restricted to fewer commodities. And the US might include an agreement to import Soviet fertiliser "to build a bridge towards an expanded relationship."

Decades ago "cargo preference" agreements were designed to strengthen the US merchant marine by protecting it from foreign competition. Instead, the fleet, protected by the realities of foreign competition, failed to develop efficiencies needed to survive in today's competitive environment.

The Maritime Administration, which takes the lead in the negotiations, is once again demanding a market reserve policy for US ships.

Although the shipping and agriculture industries once supported each other's programmes in Congress, the farm lobby is adamantly opposed to the proposed Maritime Agreement. The use of expensive American ships and crews raises the cost of US grain.

Mr Steve McCoy, president of the North American Grain Exporters, bitterly complained that neither US exporters nor the Soviets want cargo sharing. But the ship owners and unions are a powerful force, he said.

"The philosophy of the Administration is to support free trade," Mr McCoy said. "But when it deals with the reality of the Merchant Marine, there's not much in the way of consistency."

China trade with former foes soars

TRADE between China and its two former enemies to the north – the Soviet Union and Mongolia – soared last year as political relations improved, Reuter reports from Peking.

The official New China News Agency said yesterday that trade passing through the Chinese province of Inner Mongolia, which borders both neighbours, rose to $120m in 1989, up more than 40 per cent from 1988.

Mr Mikhail Gorbachev, the Soviet leader, restored relations with Peking last May, ending a 30-year rift. Mongolia soon followed suit.

Ideological differences with the Soviet Union have resurfaced after the Kremlin this month relinquished the Communist Party's guaranteed monopoly on power, but trade does not appear to have suffered.

Inner Mongolia last year expanded two trading posts, at Manzhouli on the Soviet border and Erenhot on the border with Mongolia, and opened five other transport channels.

China's State Council, the nation's cabinet, has approved the establishment of two more local trading posts.

Hoesch buys 80% stake in S Wales steel processor

By Nick Garnett

HOESCH, the West German steel and engineering group, has taken a foothold in the UK steel industry with the purchase of a steel stockholder and processor in South Wales.

The German company is taking an 80 per cent stake in Gwent Steel, which specialises in the supply of coated strip for several industrial sectors, including the car industry.

The deal is a further sign of growing interest among West German metals groups in supplying the UK motor industry.

Earlier this month, Thyssen acquired Albion Pressed Metal (APM), a Midlands fabricator of flat rolled products for the car industry. APM, which had sales of about £14m last year, has a number of customers in the automotive industry, including Nissan's car-making operations in the north-east.

Thyssen is believed to see this as a strategic buy because of the growing operations of the Japanese car makers in the UK. Apart from Nissan, Honda, which already makes engines in Britain, is to make cars at Swindon and Toyota plans to build cars in Derbyshire.

Thyssen also announced last week that it had purchased, for £35m, the foundry interests of Birmid Qualcast. Those foundries supply iron and aluminium castings for the automotive industry. The purchase of APM and the Birmid businesses are additions to Thyssen's existing but small steel stockholding and metal processing interests in the UK.

Acquiring a majority of Gwent Steel though is the first step into steel processing in the UK for Hoesch. Gwent Steel, which had sales of £30m last year, employs 105 and has two sites at Newport.

The company supplies the building and white goods industries and body panels to the car industry.

Hoesch intends expanding Gwent Steel in which three directors are retaining a 20 per cent stake.

The South Wales company is supplying 2,000 tonnes of steel a week but has the capacity to almost double that.

● British Steel, the biggest UK steelmaker, has been discussing with Klöckner-Werke the possible purchase of the West German company's Klöckner-Mannstaedt steel works which produces special sections at Troisdorf.

West Germans cast net over UK foundry industry

Richard Tomkins puts Thyssen's purchase of Blue Circle's Birmid within a European perspective

A GREAT CHUNK of the British foundries industry has passed into West German ownership.

After nearly a year on the market, the Birmid foundry group – arguably Britain's biggest – has been sold by Blue Circle Industries to Thyssen, the West German steel giant, for £35m.

The deal comes just two years after another chunk of the industry – the Rover car group's foundries in the West Midlands and West Yorkshire – were sold to Eisenwerk Bruhl, the West German foundry group, for around £10m.

These events represent a massive and much-needed vote of confidence in a wretched industry, only recently showing signs of recovery from two decades of retrenchment.

At the same time, they prompt the question, why are West German proprietors so interested in getting hold of these British foundries.

Blue Circle, the cement, brick and home products group, acquired the foundries almost accidentally through its contested takeover of Birmid Qualcast, the consumer products and foundries group, in October 1988. It had only ever wanted Birmid's home product activities, and the Midlands foundry operations were quickly put up for sale.

But Blue Circle's move only brought forward the inevitable. Birmid's foundries were, and remain, one of the biggest suppliers of castings to the British automotive industry, and their future had become intertwined with the restructuring going on in the motor components sector.

Like other British motor component suppliers, Birmid went into decline during the contraction of the British motor industry in the 1970s. Employment, still at 8,000 in the late 1970s, had fallen to nearer 2,000 by last year.

Britain's motor manufacturing industry is now enjoying a remarkable revival with output forecast to rise from 1.23m vehicles in 1988 to 2m a year in the mid-1990s: but it is a different kind of motor industry, dominated by the multinationals.

The component suppliers are having to change with the times. The multinational car manufacturers increasingly want to deal with multinational suppliers, giving them responsibility for the design and development of sub-assemblies in return for single supplier status.

The foundry industry is highly capital intensive, and the only companies that can afford to stay at the forefront of design and development nowadays are those big enough to be able to afford the necessary investments in technology.

Darcast Components, Birmingham

Birmid was caught in a vicious circle. To be able to afford the heavy investment required, it needed long production runs. To get long production runs, it needed single supplier status, and to get single supplier status it had to make the sort of investments it simply could not afford.

Mr Malcolm Ray, chief executive of Birmid's foundry division, put it bluntly last year when he said: "I can say quite categorically that at our present size, we have a very limited future."

Thyssen has no such problems. As West Germany's eight largest industrial group with annual turnover of DM34bn (£12bn), the £35m it has paid for Birmid is a flea-bite.

The investments it will have to make in the foundries will increase the price, but – like Eisenwerk two years earlier – it believes it is one worth paying to secure a foothold in Europe's fastest-growing centre of motor vehicle production.

Although Europe's biggest private sector steel company, Thyssen also has a range of manufacturing activities under the umbrella of Thyssen Industry. One of these is Thyssen Guss, a foundry division already turning out automotive castings for the likes of BMW, Ford, Opel and VW in West Germany.

Mr Bruno Tomkowitz, a member of Thyssen Guss's management board, said the company's policy was to become a strong supplier of components to the motor industry throughout Europe, but particularly in Britain because of the growth taking place there.

For its money, it has obtained two aluminum foundries – Birmal Components in Smethwick and PBM Components in Perry Barr – and two iron foundries: Darcast Components in Smethwick and QDF Components in Derby.

The best two are the iron foundries: Darcast is one of Europe's biggest manufacturers of crankshafts, while – perhaps most significantly – the huge QDF foundry, employing 1,000, is just a stone's throw away from the Toyota plant being built at Burnaston.

Thyssen and Eisenwerk are not the only overseas castings manufacturers engineering a revival of the UK foundries industry. Montupet of France is building an aluminium foundry in Belfast to make cylinder heads for Ford's new Zeta engine, and Nissan is building its own aluminium foundry to make cylinder heads for its Sunderland plant.

Of the three hats in the ring in the bidding for Birmid, only one, Triplex Lloyd's, belonged to a UK company. The other belonged to Intermet, the US foundry group that has spread into West Germany, South Korea and Sweden.

Triplex, a foundries and engineering group with an automotive division turning over £50m, says no UK quoted company could have matched Thyssen's bid: their shareholders would simply not have allowed it.

"That business needs considerable investment and the benefits would have been 18 months to three years coming through. Thyssen can afford to take a long-term view, but I defy any British plc to have issued shares for it."

In any event, the British foundry industry has undergone such upheavals over the past 20 years that it is hard to think of a grouping that could rank alongside the West German companies as a multi-national supplier to the automotive industry.

Mr Norman Gledhill, director of the British Foundry Association, believes there are a still a few cards to be played in the restructuring game. "I can't envisage that the whole of the UK castings industry is going to be owned by overseas manufacturers," he says.

But if anything like a British multi-national is to emerge, it will have to do so quickly.

Sky founder says BSB is misleading the public

By Raymond Snoddy

MR ANDREW NEIL, until recently executive chairman of Sky TV, yesterday launched a bitter attack on British Satellite Broadcasting, Sky's rival system, saying it showed all the hallmarks of "great British cock-ups."

Mr Neil, editor of The Sunday Times, told the FT Cable and Satellite Conference in London that BSB had misled the public and broken promises.

BSB had dropped plans for a 24-hour information channel with eight to 10 hours a day of news and had missed its launch deadlines.

FT CONFERENCE
CABLE TV and SATELLITE BROADCASTING

Its equipment would cost each customer between £350 and £400 more than promised and, when it finally launched at the end of April, it would be available to fewer homes than when Mr. Rupert Murdoch's Sky launched more than a year ago.

BSB, a consortium in which Pearson, publisher of the FT, has a significant stake, made "the Pentagon look parsimonious in the way it has spent."

Mr Neil also accused media journalists of treating BSB with kid gloves while denigrating Sky. When BSB launched, Sky would be available in 1.5m homes, which he described as "one hell of a head start."

BSB did, however, get a little support from Mr David Mellor, the Minister for Broadcasting, who told the conference he planned to become a viewer.

The minister said satellite TV now looked as if it was taking off. As a result, "choice will be enlarged to the enhancement of quality."

Mr Jon Davey, director-general of the Cable Authority, said 14.5m homes in the UK were now covered by cable franchises – two thirds of the population.

"We are in the middle of a cable boom," Mr Davey said. By the end of this year, 50 cable franchises would be operating, compared with 15 at the end of last year.

Mr Pierre Meyrat, director-general of SES, the Luxembourg company behind the Astra satellite project, said Astra had played an important role in bringing down national frontiers. A second 16-channel satellite was due to be launched in October and a third satellite could be used to transmit high-definition TV broadcasts.

Mr Anthony Simonds-Gooding, chief executive of BSB, said there was clear evidence of a real market opportunity in Britain for subscription TV. The new satellite services would offer consumers real choice, not just more of the same programmes.

Mr Peter Groenenboom, managing director of Video Display Products at Philips International, appealed for a European Communications Commission to end the chaos of satellite TV in Europe, with satellites in different orbits using different frequencies.

In Brief

Britain gets largest share of EC storm aid

Britain is to receive the largest share out of any European country from a $2m emergency aid package for storm repairs announced by the European Community's Executive Commission.

The UK, where 14 people have been killed by the storms this week and thousands more evacuated from their homes, will receive $600,000. The rest of the aid package will be shared out by West Germany, France, Belgium, Italy, the Netherlands and Ireland.

British Climatologist, Mr Hubert Lamb, predicted that severe storms would continue into the next century and could get a "little worse."

Bank looks to Europe

The Bank of England has set up a new division dealing with Europe. It will be headed by Mr Lionel Price, and will report to Mr Andrew Crockett, the executive director responsible for international affairs. The Bank said the creation new division reflects the rapid changes in Europe and the need to follow legislative, monetary and economic developments.

Conoco drills wells

Conoco, the US oil company, said it had successfully tested its first two wells in the UK and Dutch sectors of the North Sea which had been drilled horizontally under the seabed.

Sharp research centre

Sharp, the Japanese electronics company, is to spend £10m on a new research and development laboratory in Oxford. The centre will be headed by Mr Clive Bradley who is currently a senior civil servant in the Cabinet Office. Although Sharp has two research centres in the US, the Oxford facility will be the company's first outside Japan to concentrate on basic research, as opposed to research on manufacturing or products.

T&N disc deal

T&N, the UK automotive components and engineering group, has reached agreement with Sumitomo Electric Industries of Japan, to manufacture Sumitomo disc brake pads under licence in Europe.

As a result of the agreement Ferodo, T&N's UK friction products subsidiary, is to supply disc brake pads for the jointly developed Rover/Honda cars produced in the UK.

TV plans to go ahead

The Government has ruled out any change to its plans for new external majority shareholders for Independent Television News.

At the moment, ITN is wholly-owned by the ITV companies but the broadcasting bill now before parliament says that in future broadcasters will be able to own no more than a 49 per cent stake in national commercial news providers, such as ITN.

Homes at beauty spot

A decision by Mr Nicholas Ridley, the former Environment Secretary, to allow the development of 500 homes near Reading at a beauty spot known locally as Bugs Bottom was upheld in the High Court.

Reading council had argued that the Secretary of State had failed to take account of changes in government housing policy.

SE proposal could cut costs of share issues

By Clare Pearson

MORE THAN £100,000 in advertising costs will be cut from the bill for some companies making share issues in London, if recommendations of a stock exchange report published yesterday come into effect.

An exchange review committee has recommended that there should be a greater variety of ways in which new issues are made, and in particular that companies should be able to place a substantial proportion of shares with institutional clients rather than offer them to the public.

Where a company does join the market via an offer for sale, it proposes that the costly requirement to publish a full prospectus in two national newspapers be abandoned.

The review of new issue procedures formed part of the exchange's wider examination of the London market, aimed at ensuring it will be able to face up to competition that may emerge particularly from other European centres.

Mr Graham Ross Russell said the committee, which he chaired, had studied the market for a year to see what radical changes were in order.

BAe workers set to end European Airbus strike

By Michael Smith, Labour Correspondent

MANUAL workers at British Aerospace's Preston plant are expected tomorrow to back the company's revised package for a 37-hour week which could signal an end to strikes that have crippled European production of Airbuses.

Mr Alex Ferry, general secretary of the Confederation of Shipbuilding and Engineering Unions, said last night he would be surprised if the package – which comes after 17 weeks of strikes – was not backed overwhelmingly at the mass meeting following the substantial improvements the company had made.

The proposed deal had already been through a number of critical tests, having been recommended by both negotiators and shop stewards.

Although Preston plays only a minor part in manufacturing wings for Airbus, the European aircraft consortium, a deal at the plant is likely to be followed quickly by a settlement at Chester, one of BAe's main Airbus components factories.

The Chester agreement would be similar in broad terms to that proposed at Preston and negotiators there are close to recommending acceptance.

The Preston mass meeting tomorrow coincides with the convening of an Airbus supervisory board at which the BAe strikes will be top of the agenda. The stoppages have caused severe friction between BAe and its Airbus partners.

According to Aerospatiale, the French state-owned aerospace group, they have cost the consortium $300m in lost production. The French group is threatening to invoke an article in the consortium's agreement which could make BAe pay $120m in compensation.

BAe has denied that it is liable but it wants an early settlement to the dispute.

Mr Ferry said that since the last mass meeting at Preston, which was held two weeks ago and which produced an overwhelming vote to stay out on strike, the company had made considerable amendments to its offer.

Striking white-collar workers who already work a 37-hour week would be paid a lump sum of £650, against the £200 previously offered.

Abbey records 21% rise in pre-tax profits

By David Barchard

ABBEY NATIONAL, the former building society which converted into a retail banking group through a stock market flotation last July, yesterday announced a 21 per cent rise in its pre-tax profits in 1989.

The result contrasted sharply with the heavy losses announced last week by Lloyds and Midland, as a result of provisions against Third World debt, and also with the last year's steep fall in profits at TSB, the only other UK savings institution to have a stockmarket flotation in the 1980s.

Abbey National's pre-tax profits were £501m in the year ended 31 December 1989, up from £414m the previous year, with the bank's core mortgage lending business to homebuyers performing particularly well.

Sir Campbell Adamson, group chairman, said the results were particularly impressive when set against the background of a depressed housing market and a fall in overall UK mortgage lending of about 13 per cent.

"Our net lending for 1989 stood at £4.2bn, a 24 per cent rise on the 1988 figure," said Sir Campbell. "Our market share was 8.4 per cent at the end of 1988 and 11.9 per cent at the end of 1989."

Though Abbey National made a £16m loss on its estate agency chain, compared with a £9m loss in 1988, the bank drew some comfort from the fact it managed to hold losses in the second half of the year at well below the level of the first six months.

Abbey National also held its operating costs down at 45.2 per cent of its income. This is about 20 percentage points below the cost-to-income ratios of the big clearers.

However the bank fared badly in the savings market, its main business activity where Abbey National and the building societies are under attack from the "Big Four" clearing banks. Its share of the liquid savings market fell sharply, dropping from 9.8 per cent at the start of the year to 4 per cent by the end.

One surprise was the news that Abbey National's cheque book current account, expensively launched in the spring of 1988, broke even last year and may make a profit this year. Abbey National's shares closed yesterday at 159p, a rise of 4p on the day.

Muddle sours Tory inner city celebrations

By Hazel Duffy

CELEBRATION of the second anniversary of the launch of the Prime Minister's Action for Cities programme went a little awry yesterday when Mr David Hunt, environment minister for inner cities, said on radio that "a substantial amount" of new money had been won, while the Treasury, unofficially, denied anything of the sort.

The discrepancy arose from the fact that all of the projected £4bn spend in 1990–91 – pronounced "a record" by Mrs Thatcher on her visit to Bradford – had already been allocated to departments in the autumn statement on public spending. But not all of it had been designated for inner city programmes.

This minor difference in interpretation of what was new might not have been so obvious had the Government not built up publicity for its inner city announcements through a video link-up of the Prime Minister's Bradford speech with ministerial visits in Birmingham, London, Manchester, Teesside, Leicester and Liverpool.

The slip was also a bit awkward as the main purpose of Action for Cities two years ago was to present the large number of such programmes spread across Whitehall departments as a co-ordinated policy.

Mr Hunt hinted, however, that the Government still had not quite succeeded in overcoming the presentation problem. He said the Government was "looking at ways of giving business people, and others, better access to information about what is going on in the inner cities."

He added: "We must now redouble our efforts so that the benefits of national prosperity are felt by all those living in our inner cities."

Mrs Thatcher said new life was being breathed into decaying urban areas, although she said that rehabilitation would take more than a decade.

The £4bn planned spend for 1990-91 compares with £3.17bn in 1988-89, and £3.38bn in the current year. It includes £100m specifically earmarked for housing in the inner cities for the first time, within the Housing Investment Programme

The new £147m programme to combat homelessness has been included, as much of it will be spent in the inner cities.

Survey says Perrier set to recover

By Philip Rawstorne

PERRIER is likely to make a full recovery in the UK market according to a survey by Yamaichi, the Japanese securities house.

Ninety-seven per cent of outlets which stocked the French mineral water before the withdrawal of benzene-contaminated stocks intend to re-order when supplies are resumed next month.

The outlets surveyed by Yamaichi included Threshers, Whitbread's off-licence chain, Peter Dominic, owned by Grand Metropolitan, and 41 well-known restaurants in London.

"Perrier's rate of recovery will depend on the resources channelled into re-building the image in the public mind," says Yamaichi. "Profits will undoubtedly be affected but not as much as first thought. It further appears that no long-term benefit will accrue to Perrier's competitors."

Few of the resturants surveyed provided an alternative to Perrier, and several reported that customers were still asking for it by name.

The survey suggested that Cadbury Schweppes' Malvern Water, and Badoit, owned by the French group, BSN, would increase sales but the growth was unlikely to be sustained.

Guinness was never advised about law on shares, court told

By Raymond Hughes, Law Courts Correspondent

NONE of Guinness's eminent City of London financial or legal advisers ever told the company that it might be committing a crime if it rewarded those who supported its share price during the 1986 takeover battle for Distillers, Mr Olivier Roux claimed yesterday.

Giving evidence for the seventh day at the Guinness trial, Mr Roux also revealed that in December 1985, Guinness had itself been recruited by Schroeder Wagg – the merchant bank that recently handled the Government's water privatisation – to support the brewing company Matthew Brown.

Mr Roux said that Schroeder Wagg had asked Mr Ernest Saunders, then Guinness' chief executive, to help Matthew Brown fight off an unwelcome bid from Scottish & Newcastle Breweries by buying Matthew Brown shares.

Guinness had bought 500,000 shares for £2.5m, on the understanding that any losses it made when it sold them would be made good by Matthew Brown.

Mr Roux said that that arrangement had been confirmed to him personally by Matthew Brown's chairman.

Mr Roux is a key prosecution witness in the trial at Southwark Crown Court of Mr Saunders, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier.

The four men have denied charges arising from an allegedly unlawful share support operation mounted by Guinness in its battle with Argyll for Distillers.

Cross-examined by Mr Michael Sherrard, QC, for Mr Ronson, Mr Roux said that he had seen nothing untoward in supporting Matthew Brown.

"Provided we were covered for loss it was important to be seen to be participating in the protection of one of Guinness's customers," he said.

That view, he agreed, had been reinforced by the impression given to him by City contacts that there was an understood procedure that share supporters would be helped if they made a loss and that it often happened.

Mr Sherrard referred to section 151 of the 1985 Companies Act, on which a number of the charges against the accused men are based.

The section prohibits a company providing financial assistance for the purchase of its own shares, save in certain limited circumstances.

Had any adviser ever explained to the Guinness board the implications of section 151, Mr Sherrard asked.

Mr Roux said he did not remember that happening. Nor, he said, had anybody said anything about a breach of the section leading to a jail sentence of up to two years.

Mr Sherrard listed Guinness's advisers:

- Cazenove – "a royal reputation among stockbrokers."
- Morgan Grenfell – a "leading merchant bank", the head of whose corporate finance department at the time had been Mr Graham Walsh, previously director of the City Takeover Panel.
- Alexanders Laing and Cruickshank – "leading stockbrokers" who had acted for Guinness through Mr Parnes.
- Wood Mackenzie – "very eminent stockbrokers."

Mr Roux agreed with Mr Sherrard's descriptions. He agreed that Bain and Co, management consultants with an international reputation, had had 30 to 40 people working full-time at Guinness for a fee of more than £1m a month.

Also that Mr John Theroux, a Bain vice-president in charge of its London office, had known of the support operation and had never suggested it involved any impropriety.

Guinness's accountants, Price Waterhouse, were one of the largest accountancy firms in the world, said Mr Sherrard. Yes, said Mr Roux, agreeing that the firm's audits were thorough and searching.

Freshfields, he agreed, was in the front rank of City solicitors.

Mr Anthony Salz, the partner involved with Guinness, who was one of the leading and most respected mergers and acquisitions lawyers in the City, had known about the support operation and had never alerted him to any danger.

Mr Sherrard asked Mr Roux: "Did anyone, professional adviser or anyone else, say anything to this effect: please be careful not to offer indemnities or rewards, or cover of any kind from Guinness, because to do so might be a crime ?"

"No one," Mr Roux replied.

Nor, he said, had anyone said that no indemnities or rewards should be offered.

Mr Sherrard: "Did you hear anyone say that if Guinness pays anybody anything for helping the purchase of its own shares there is a risk that somebody might say that this payment might be stealing ?"

Mr Roux: "No."

Mr Justice Henry asked Mr Roux: "Did you think of advertising in the papers that anyone who bought Guinness shares would be indemnified if they went down ?"

Mr Roux: "No."

Mr Sherrard asked if Mr Roux had known whether advertising of that kind would be permitted by the rules of the Stock Exchange or the Takeover Panel.

Mr Roux said he did not know.

Mr Sherrard referred to a Stock Exchange announcement on March 4, 1986, midway through the bid battle, that companies were required to have shareholders' approval before issuing indemnities to banks or others against losses which might be incurred in supporting a takeover bid.

Mr Sherrard suggested that the implication that that rule was not being made retrospective would have seemed to mean that "you did not have to unravel the knitting of the bid then in progress."

Mr Roux agreed.

He agreed that he had told Department of Trade and Industry inspectors investigating the Distillers takeover that his understanding was that support operations were not improper and were common City practice in hostile or contested takeovers.

He had also told the inspectors that he had understood that Morgan Grenfell might have to justify the support to the takeover panel if it was discovered and might be criticised if they failed to do so. "However, they appeared willing to take the risk."

The trial continues today.

BUSINESS LAW

Czechoslovakia prepares to rejoin the world trading community

By A.H. Hermann

Last week in Washington Mr Vaclav Havel, Czechoslovakia's President, was assured that his country will be able to join the World Bank and to qualify for "most favoured nation" tariff on imports into the US.

Such promises will ease Czechoslovakia's re-entry into the world trading community. A great deal of work will have to be done, however, to develop the country's infrastructure of legal, accountancy, and consulting services. During the past 40 years, local lawyers have had hardly any need to acquaint themselves with sophisticated instruments of finance and management; mergers, acquisitions, and competition law have been notions from another world.

Changes and improvements will be particularly necessary if, as both Czechoslovakia and the US propose, a new international bank for the reconstruction of eastern Europe is to be located in Prague.

Participants in an international conference on trade and investment opportunities in Czechoslovakia, organised by the Prague School of Economics and held there earlier this month, heard of a number of new laws in preparation or already introduced. These cover:

● **Advocacy.** Lawyers are likely to be in the front line when it comes to unbundling government controlled industrial groups into smaller concerns – either in the form of new "state enterprises," able to survive only if profitable, or as joint stock companies.

There are, however, no private law firms. Attorneys are employed in "advice bureaus" controlled by the Ministry of Justice. Only two out of the 10 such bureaus in Prague are authorised to deal with international legal business.

An advocacy law now hotly debated in the profession is likely to change this. Practitioners will be allowed to practice in law firms of their own, though some fear the loss of salaried security. Few are aware of the opportunities open to lawyers in a market economy. Two London law firms seem to be on the point of opening Czechoslovak lawyers' eyes.

● **Banking.** A banking law came into force on 1 January 1990. It handed commercial banking – previously the monopoly of the the Czechoslovak State Bank – over to two commercial banks, one Czech and the other Slovak, and to two regional saving banks. The Investment Bank, which played little role in the past, will take on new importance, providing larger investment credits to state enterprises and private companies.

This leaves the Czechoslovak State Bank free to operate as a central bank – completely independent, it hopes, on the model of the German Bundesbank.

The greatest novelty is the opening of the door to foreign banks; Austrian and French banks are already on the spot.

At the same time, it is planned to establish subsidiaries of the Czech commercial banks abroad. The aim is also to introduce new types of financial operations such as the issuing of long and short bonds by the government, local authorities, and big industrial enterprises.

● **Foreign economic relations.** The government seems to intend little relaxation in this sphere. The latest draft of the foreign economics relation law would leave foreign trade completely under the control of the Ministry of Foreign Trade, which made such a bad job of it over the past 40 years.

Authorisation will continue to be required not only for trade but also for the representation of foreign firms. These will be hardly pleased with representatives dependent on the same authority which controls or owns the Czechoslovak importer.

There is, of course, some force in the argument that the monopoly of foreign trade cannot be dismantled as long as there exist three mutually independent price systems: production and wholesale prices, retail prices, and foreign trade prices.

None the less, the tight control of foreign economic relations by the Ministry of Foreign Trade is a thorn in the flesh of Czechoslovak industrial concerns which would like to have direct access to foreign markets.

Trade will be encouraged, however, by President Bush's assurance to Vaclav Havel, his Czech opposite number, that Czechoslovakia will benefit from "most favoured nation" status in its dealings with the US.

● ***Joint ventures.*** The main task of economic reform is the upgrading of the industrial structure, away from the oversized steel and heavy engineering industries. This cannot be achieved quickly. Some hope is placed on co-operation with western firms which may be interested in using spare capacity and the under-employed workforce of Czech industry in exchange for advanced technology.

The present joint venture law however, is unsatisfactory in two respects: it does not automatically give the joint venture a license to engage in foreign trade; and it makes repatriation of profits dependent on the hard currency earnings of the venture. A draft revision of the present law aims at some improvement, and would also reduce the burden of taxation.

● **Small business.** A draft law on small business is under discussion, urged by an association formed by some 10,000 potential entrepreneurs. This would mainly cover small businesses in the service sector, such as catering, repairs and maintenance, but would also deal with some small scale production. Ominously, the draft law now discussed provides for the establishment of a special office for regulating small business activities. The bureaucracy involved in such an office could easily discourage new entrants into a field which is in any case surrounded by many practical difficulties.

One of the greatest problems facing any new enterprise in Czechoslovakia – large or small, domestic or foreign – is the scarcity of office space and other premises. The queue for offices vacated by the Communist Party secretariats and by some heavy industry enterprises is so long that the authority handing out this office space in Prague had to stop all allocations, to gain time for establishing a set of priorities. This problem will affect the nascent law firms as well as their potential clients.

The author is D.J. Freeman and Co. Senior Research Fellow in International Trade Law at Queen Mary and Westfield College, University of London.

MANAGEMENT: Marketing and Advertising

White goods

Women of Europe put Whirlpool in a spin

Clay Harris on market research that surprised the US group

Most of your potential customers have never heard your name and many of them cannot pronounce it. When you scratch the surface, moreover, you discover that your size and your nationality turns off a large number of them.

You are inheriting annual sales of \$2bn in a highly competitive international market, achieved under another brand name, which you will be forced to abandon in a few years.

This is the prospect facing Whirlpool in Europe. At the beginning of last year, the US domestic appliances manufacturer paid Philips \$470m for a 53 per cent stake in the Dutch electronics company's worldwide white goods business. The deal enabled the combined Whirlpool/Philips operations to vault past Electrolux and claim global leadership.

Whirlpool is likely to take full ownership of the joint venture before the end of 1991, although the two companies could negotiate a new agreement to extend it.

What is certain, however, is that the Philips brand must come off appliances by the end of 1998. From a standing start, Whirlpool had less than 10 years to establish its name in the European mind. It was determined not to lose a single sale in the process.

Building on its own experience in the US, Whirlpool decided to re-badge all Philips products with both names.

Jan Karel, managing director and chief operating officer of Whirlpool International, saw it this way: "By putting the two names together, you get the best of both, reinforcing the positive feelings associated with Philips with the positive perception of the Whirlpool name. Confidence and dynamism, stability and vigour, classic quality and the best of modern technology, reliability and innovation. In short, Whirlpool's imagination added to Philips' experience."

That is the confident view for public consumption. Interviews with more than 1,000 European women, however, raised doubts about whether the neat bipolarity, especially the Whirlpool side of the equation, actually applied.

Moreover, having set their sights on the dual brand, Whirlpool and its French-based advertising agency, Publicis FCS International, took a year to prepare the public debut.

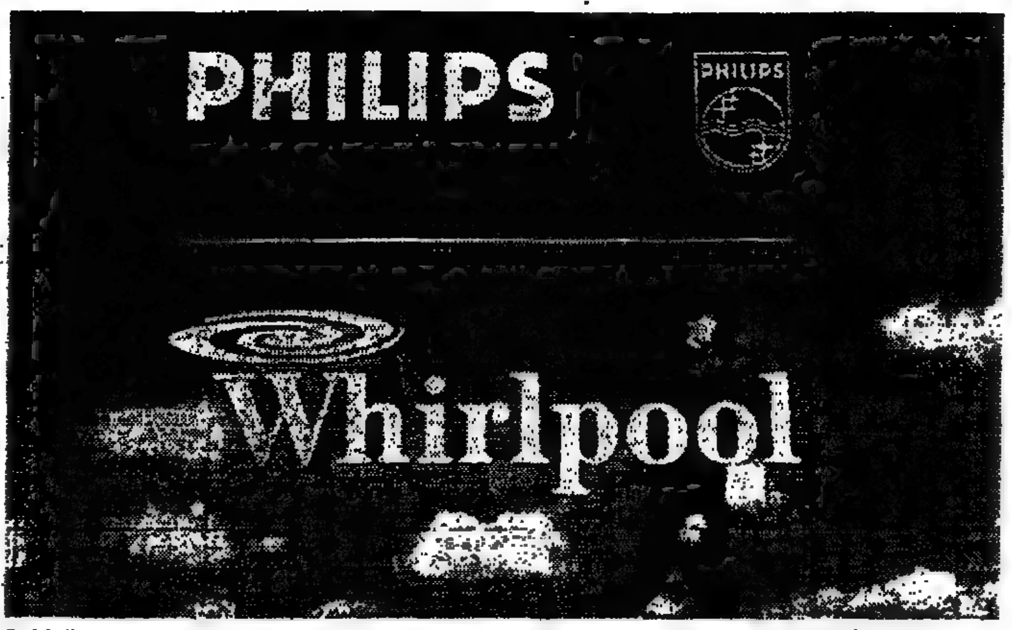
The result is now becoming familiar to television viewers in 14 European countries, who are seeing an identical kick-off commercial. The TV campaign will boost its advertising budget by \$110m in the next few years. In 1990 alone, expenditure is likely to reach £25m, with the UK accounting for one-fifth of the total.

The Philips Whirlpool campaign will test two propositions:

- Agencies and their clients should place more trust in detailed market research than in their own instincts.
- Pan-European advertising can work if it finds the demographical formula to overcome national differences.

It is also based on the premise (see below) that domestic appliance sales depend as much on back-up service as on product quality, which does not differ much between manufacturers within a given price range.

The campaign emerged from nearly a year of detailed research across Europe, an exercise which Publicis believes is without precedent in its scope. The way it was conducted reflects the federal nature of the French-based group's European agency network and the cautious nature of its clients.



Guidelines for the ad stipulated that both companies' names and logos had to be shown

"Philips is very research-oriented," says Nick Mote, Publicis's international co-ordinator for the account. "They will not take creative decisions subjectively."

Katherine Baughman, Publicis's marketing and planning director for the brand, says: "We had to rule out instinct from the beginning. It was a campaign ruled by the head and not by the heart."

The research by French agency TMO was tightly focused on what Karel describes as "modern women who care about their families but also lead an active life beyond the boundaries of the household."

Not every buyer of domestic appliances falls into this category, but Baughman's preliminary research made clear that other consumers aspired to this status or at least were not repelled by it. Overall, 1,080 women in Austria, Britain, France and Spain were individually interviewed in sessions lasting from 45 to 80 minutes.

Publicis Focus, one of the group's five UK agencies, was lead agency for the campaign and sent a creative brief to Publicis agencies in London, Paris, Milan and Barcelona.

The initial guidelines were simple. The commercial had to make clear that Whirlpool was a company, not just a new Philips brand, that Philips and Whirlpool had come together, *and that they specialised* in major appliances. Both companies' names and logos had to be shown and their names had to be spoken several times.

Whirlpool was no stranger to transitional dual branding. After nearly 25 years as the sole supplier of washing machines to the US retailer Sears Roebuck, it introduced the Whirlpool brand on its own products in 1947.

As it expanded in the 1950s, it acquired the air-conditioning and electric cooker businesses formerly owned by RCA, and used the opportunity to relaunch its entire range of appliances as RCA Whirlpool. The "RCA" was dropped in 1967, after 12 years.

In Europe, the Whirlpool brand will stand alone in each country only when local managers think the market is ready. "We're going to use the Philips reassurance to make this transition," says Baughman. Europe brought one complication which Whirlpool had not encountered at home.

"In many of the languages the word is unpronounceable," says Mote. "The letter W doesn't exist in the Spanish alphabet and it's very difficult in French. We took the decision early on that we'd go for the English pronunciation."

Baughman explains: "For the French and the Spanish it sounds new and exciting." Moreover, the Spanish, especially, were tiring of the condescension implied by Anglo-Saxon companies which latinised the pronunciation of their brand names.

The first round of research proved its worth, according to Baughman: "We learned what not to say to those housewives." Women were unimpressed by Whirlpool's size. One observed astutely that companies were always taking over others, and this said nothing about product quality.

More unexpected was the discovery that in the UK and Austria consumers were strongly resistant to any overt Americanism.

"They associate technology and innovation with Germany; they do not associate it with America," Mote said. The US, instead, was seen as a fast-food, throwaway society where consumers lacked discrimination and would buy anything.

This dashed any idea of emphasising a new wave from the new world. Baughman notes: "It was quite significant. It actually steered us away from things we might have said." Any direct or implied reference to Whirlpool's US heritage was banned.

Not all the Publicis offices took the message on board. The Paris agency proposed commercials which referred to Philips and "its American friend" – in one version, showing a man and woman getting amorously tangled in the sheets they had just pulled out of a tumble dryer. "We gave the French that information but they chose to ignore it," says Baughman.

Interviews narrowed the field from five potential campaigns to two – "The Machines that Make Things Good" from Paris and "Beautiful to Live With" from London. The first was "creative," with catchy, humorous music based on a popular French song, "I am a Gigolo," and showing young adults in a variety of modern lifestyles. The second was comforting and home-oriented, even syrupy.

Publicis and its clients were sure that the Paris version was better, but subjected both to another round of research in France, Britain and Austria.

When the results came back, the chances of finding a pan-European campaign appeared to be in tatters. Frenchwomen enthused about the Paris agency's work and did not like the London effort; the British liked the cosy version and hated the stylish one; Austrians firmly rejected them both. Because America was mentioned, they unfavourably placed the action in California, although there was nothing to suggest that was the case.

For a moment, Publicis and Whirlpool International thought they would have to abandon the single campaign *and run two: one in southern* Europe, including France, and one in northern Europe.

Then the research agency pointed out that an idea which had been discarded at an early stage as merely an "information vehicle," without much added *creative* value, had elicited a positive response from women in every country.

The French had preferred the same ad as other Europeans? This was unheard of. More research was commissioned in France. The London-devised "Brings Quality to Life" campaign won hands down over the homegrown "yuppie" version.

Mote marvels: "The winning campaign surprised us all. It surprised the agency, it surprised the client."

More than 1,000 European women had spoken, and Whirlpool International was willing to take their word on a multi-million dollar decision.

Putting its shirt on 'unexcelled' service

How does a manufacturer distinguish its products from those of competitors when there is not much to choose between them in intrinsic quality? Philips Whirlpool is putting its shirt on service – both to the customer and the retailer.

Coinciding with the Europe-wide launch of the dual brand, the company is introducing a service package which it claims is unexcelled. The details will differ from country to country, but the guarantee will be honoured anywhere in Europe, regardless of where the appliance was bought.

In the UK, for example, Philips Whirlpool is offering to replace any machine which cannot be repaired during the first year of purchase, or refund the purchase price.

It will guarantee all parts for 10 years, on payment of a one-time premium of £12.50, the same amount it will pay customers if its engineers fail to visit within two working days of the company receiving a call.

Philips Whirlpool has also instituted a centralised "customer care line" in Croydon, although its present schedule falls well short of its model: Whirlpool's Cool Line, which is staffed around the clock in the US.

Just as important, according to Brian Kennerley, who becomes UK managing director today, is the support a company can give to the retailer. Whirlpool Financial Corporation has set up in the UK to offer financial packages to retailers, including extended payment terms and financing of display stock or even the store's inventory. The quid pro quo is better display for Whirlpool products.

In the short term, it is an expensive approach. Engineers have been trained in customer service; their movements are mapped and their parts re-stocked by computer. Setting such high standards bears not only a financial cost but also the risk of public embarrassment if things go wrong.

Kennerley sees no alternative. Philips Whirlpool imports almost all its appliances from Italy and West Germany. The weak pound has put it at a disadvantage against producers such as Hotpoint and Hoover. The launch of Philips Whirlpool has provided an opportunity to redefine the brand in Europe.

In Britain, he will have the benefit of the largest advertising budget for white goods since Zanussi launched "the appliance of science" in 1983. Philips Whirlpool now stands fourth in the UK market with a share of 8 per cent, which includes built-in appliances. Kennerly wants to double that in three years. In 1990, in "the worst market conditions I've seen in 30 years," he will be content to stay in the black and sell the same number of units as last year.

No rate cards in E Europe

By Clay Harris

"HIDDEN SEDUCTION" is banned in Czechoslovakia. Advertising must be based on "specific features of the goods offered." In Hungary, products must be available in sufficient quantity before they can be advertised.

Momentous political changes in Eastern Europe have sparked commensurate interest in the West about business opportunities on the other side of the former Wall and Curtain. If the military minefields are being defused, others remain.

"We must realise that advertising media in Eastern countries are in a very early stage of development," says André Bernard, chairman of Initiative Media International, which has just published a report* on advertising outlets in East Germany, Poland, Czechoslovakia and Hungary.

"They don't even have a rate card as such. These prices are only indicative. The only way *to get to a real price is to come* with a chequebook." At present, he implies, negotiations would be likely to result in a lower rate, although that could change if advertisers begin to compete for space.

Any who do are probably playing a long game. As in China previously, most foreign advertisers will be "building images for the future," says Bernard. "If it's immediate sales they want, just send over the goods and they'll be gone before the advertising appears" – a situation which undoubtedly runs foul of Hungarian law, which also bans comparative and "aggressive" advertising.

The four countries have a larger choice of media than many in the west realise – from outdoor posters to spots on East German railway brochures. Almost all advertising *must be paid in hard currency.*

For East Germany, West German media may be the best bet in the short-term. New publications include the GDR's first giveaway paper, distributed by post in Potsdam, Oranienburg and Nauen near Berlin. Commercials on West German television reach 70 per cent of East Germans.

**Media Market East Europe, in English and German, DM200, Initiative Media International, Postfach 103226, Burchardstrasse 14, 2000 Hamburg 1, West Germany. UK inquiries: Rex Dobinson. 01-636-3377.*

TECHNOLOGY

Dave Madden explains the pros and cons of marketing in-house software

Turning programs into products

Once the Skipton Building Society has finished rewriting the software that handles its mortgage administration, *it plans to* recover the development costs by selling the marketing rights to Unisys, its main *hardware supplier.*

This is not the first time the Skipton has embarked on a course which inevitably leads to some of its rivals using its system, says John Goodfellow, general manager of administration. An earlier generation of its software is sold as the Unisys Financial Services System and used by nine competitors.

The Skipton's approach is part of a minor tradition of organisations seeking to maximise the return on their information technology systems by selling them on. Goodfellow also hints at a more sophisticated *motive* – the competitive impact of being recognised as an innovative IT user.

In its most spectacular form the drive to commercialise computer systems has *spawned not just products, but entire* companies. Datasolve, IMI, Istel and a rash of public sector spin-offs, such as Warwickshire Computing and West Wiltshire Information Systems, were born of non-IT parents with a mission to exploit a wider market.

Don Eungblut, *a principle in the IT* marketing wing of PA, the management consultancy, says companies are particularly keen to offset development costs. It is not hard to see why. As IT takes up an increasing proportion of corporate budgets, the attraction of turning parts of that investment into a revenue stream – of turning programs into products – is growing too.

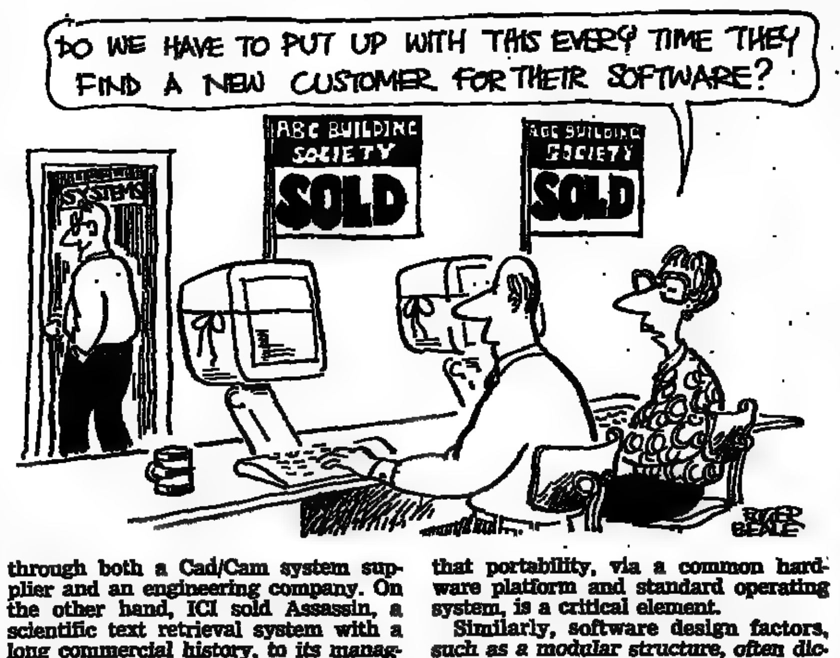
This is fuelled by IT suppliers trawling their own customer bases – and each other's – *in pursuit of the* "systems solutions" which will sell their hardware.

Commercialising software is, however, a complex task. Last year British Telecom sold its Customer Service System (CSS) to Singapore Telecom for *£13m. CSS is a screen-based information* system, built around a single Cullinet IDMS/R database, which lets BT operators deal with orders, billing and fault inquiries while customers are still on the line. Costing about £500m, it represents the world's biggest civil computer systems development. BT sells the system direct and will have 200 staff working in Singapore to install it over the next two years.

Now it is one thing for BT, a technology-oriented concern if not primarily a software supplier, to market a system like CSS itself, but for most companies that would be impractical.

The most common route to market is in collaboration with an IT specialist – a company with the requisite marketing *skills* and *sales support.*

ICI has explored several of the avenues. Proview, a chemical plant design system, is sold externally under licence



through both a Cad/Cam system supplier and an engineering company. On the other hand, ICI sold Assassin, a scientific text retrieval system with a long commercial history, *to its managers* in 1988. ICI still uses Assassin world-wide, but the management buy-out, now trading in Yorkshire as Associated Knowledge Systems (AKS), has sole responsibility for selling, supporting and developing the product.

John Liles, general manager of ICI Industrial Software Products, says that while identifying commercial opportunities for ICI software is part of his brief, ICI does not have a rigid policy on the matter and, as in the case of Assassin, the fate of a system rests with the *individuals closest to it.*

For the record, Derek Seddon, head of ICI's Corporate Management Services, is opposed to commercialising software, lest it "takes the eye off the main ball which is delivering systems for the business."

Transforming a successful internal program into something other people can use and would buy is a fraught and expensive process. Alan Benjamin, director of the European software house *SEMA*, warns that initial enthusiasm is more often than not frustrated by practical difficulties and cost.

Eungblut says companies that believe they have a marketable program must ask hard questions about the potential market and its profile, and about the software: *Is it good enough? Is it maintainable?* What effort is required to turn it into a standard commodity?

"The trick is to identify a sufficiently valuable part of a market that can be met with the least amount of work," he says. In this context, the possibility of external marketing is a potent argument for open systems and software standards. Hilary Gilfoy, marketing manager of BIS Applied Systems, says that portability, via a common hardware platform and standard operating system, is a critical element.

Similarly, software design factors, *such as a modular structure, often dictate* whether a program can be sold on or not. It is no coincidence that the Skipton system is written in the Unisys 4GL (fourth generation language) LINC.

Gilfoy observes that increasingly BIS customers, particularly in the financial *sector, have commercialisation in mind* from the outset and are modelling their systems accordingly. An example of this is an investment fund management system, developed for Montague Investment *Management.* It is now marketed by BIS Banking Systems as Fundmaster *on IBM AS400* hardware and is installed at Barclays and Northern Trust.

But there would be no point in asking questions about the practicalities without the prospect of making money.

Last year Harris Distribution, part of the transport group TDG, agreed to sell *on SOLAR, a stock handling and ware*house management package. Frank Tunney, marketing director, is confident that the system will not only defray costs but become a genuine revenue earner. *SOLAR* was written in partnership with Diskus Computer Services, an IBM systems house based in Warrington. Diskus is licensed to market it.

Phil Evans, managing director, says the software, which cost Harris around £250,000, sells for between £15,000 and £25,000, of which *Harris* gets 75 per cent. Diskus's interest is maintained by hardware sales and added services such as training and maintenance.

Yet Harris, too, has less quantifiable motives. "There is an element of kudos in marketing the system. It positions us *as a technology driven company,"* says Tunney.

It is this perception, as much as crude cost benefit analysis, which often determines any internal arguments about commercial confidentiality.

As Eungblut puts it, "if an organisation has developed a piece of software *at the heart of its business strategy*, there is a genuine argument about how much it should let go. This can translate into a conflict of interest between the IT department and the business. On occasion we have had to establish a framework for assessing the strategic value of a system and the competitive impact of its availability." Harris can veto sales to direct competitors.

According to AKS's managing director Robin Clough, ICI concluded that where similar products were already available, the competitive impact would be *minimal "and we might as well take* the money."

The dilemma is not confined to big corporations. Kids Unlimited, based in Wilmslow, manages childcare facilities for the likes of Body Shop and Midland Bank. You might expect Kids, market leader in the growing corporate nursery business, to be sensitive about offering its competitors anything. Yet it is negotiating the marketing rights of its nursery administration software with the *system's author*, the Stockport *software* house Systems Workshop.

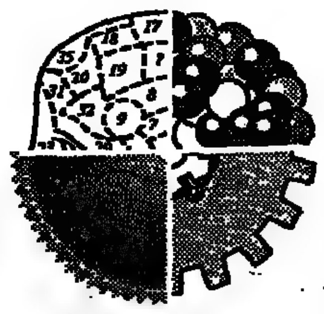
Stuart Pickering, managing director, says Kids believes the system – which integrates accounting and child management – gives it an administrative edge, but does not directly win contracts. *He suspects the system's advantage* may be shortlived, so "we might as well capitalise on it. Selling the product also gets our name about. It all adds to the credibility of the company."

Gilfoy remarks that her customers are becoming more sophisticated in their *competitive analysis.* "Increasingly people are distinguishing between their core activities and the products they market. The area of perceived competition is shifting from delivering technology to supporting products."

In terms of marketing software, this translates into a willingness to sell functional models and product kernels, while areas of customisation, of true competitive sensitivity, are guarded jealously. This holds true for the Skipton. Goodfellow says it provides the core of an orange, while Unisys adds a customised peel.

Eungblut takes the argument about competitiveness a stage further. "Positioning yourself as a leading IT user can have a substantial strategic impact. You can, in theory, turn your competitors into followers. Often an entire infrastructure is established by the company that introduces it." He cites Thomson Holidays and American Airlines, which have driven their markets after making their respective reservation technologies *available.*

"Striking a position like that is worth infinitely more than offsetting development costs," he says.



WORTH WATCHING

Edited by **Della Bradshaw**

Photos over the phone line

FACSIMILE machines are already popular for sending text messages, but for photographs the transmission quality is usually inadequate.

This has prompted Image Data Corporation, of Texas, to develop a combined *personal computer and video* camera which sends still *photographs* — from a camera or from television pictures — using the ordinary telephone network. The Photophone can be used with pictures formatted using the European Pal television signalling system.

The image taken by the video camera is digitised and compressed by a ratio of 20 to one to be sent across the phone network *at a rate of 9,600 bits of data per second.* An error correction system ensures that the picture arrives in the correct form at the receiving Photophone.

A black and white image can be transmitted in 40 seconds and a colour one in 86.

Wiesfax Data Communications, of Surrey, one of the UK distributors of Photophone, believes the system *will prove particularly effective for photographers* sending newspaper pictures back to base.

Counting the company miles

MANAGING the accounts of a fleet of company cars is *usually a mishmash of manual log books and petrol* station receipts.

To help streamline the process, an Australian company has devised the saloon car equivalent of the tachometer — a computerised *gadget, little bigger than a* calculator, that keeps track of the miles.

The Exec-u-log, designed by Automotive Electronic Specialists, of Camberwell, Victoria, and sold in the UK *by Truseal, of Orpington,* plugs into the car's odometer — the mechanism which measures the number of miles the vehicle has travelled. The battery-powered unit has a *built-in clock and calendar* to note the time taken to do the journey.

The driver taps in an identity code when getting into the car, to *identify himself* or herself. Then at the end *of the journey*, the week or the month, the Exec-u-log is unclipped from the dashboard and the data downloaded to a printer, so that the accounts manager *can* balance the books.

Power play for middle managers

EXECUTIVE information systems (EISs) are proving a misnomer. Instead of appearing in the offices of top executives, they are finding a home on the desks of middle managers eager to analyse what is happening within the company.

With this is mind, the Canadian computer company Cognos, of Ottawa, has *designed a system for the* middle echelons. Like EISs, PowerPlay extracts data from the company's web of internal computer systems. But it does not give access to external data — share prices, on-line *databases and so on.*

As a result, PowerPlay is considerably cheaper than an EIS, costing around £2,000 for the software, plus the cost of a PC and consultancy fees.

Like an EIS, PowerPlay *allows managers to use a mouse to "drill down"* through layers of information to zoom in on relevant facts.

A squeeze on alcohol

CAR-DRIVING beer aficionados may be interested in the latest low-alcohol beverage which preserves the traditional taste without *impairing driving capabilities* — low-alcohol brown ale.

Brewed by the traditional Cambridgeshire brewer, Elgood & Sons, of Wisbech, *the brown ale* is relieved of its alcohol by a process called *reverse osmosis.* (Most low-alcohol beers are made by vacuum distillation.)

The beer, which starts off with a three per cent alcohol content, is forced at pressure against a membrane. Most of the alcohol is squeezed through, leaving less than *one per cent in the beer.*

Electronic news from the FT

AN ON-LINE prices and news service has been launched by the Financial Times Statistics Service, Finstat, writes Clive Cookson.

FT Firstbase combines a dozen real-time data sources, providing equity, options, bonds, futures and foreign exchange prices, with the FT's financial analysis.

Other electronic financial information services, such as Reuters and Telerate, were *designed primarily for dealers* and require dedicated terminals. The less expensive Firstbase is intended mainly for analysts in stockbroking, *fund management* and corporate boardroom environments.

It uses a single leased line and modem to link into the customer's existing PC network.

Folding spoon takes off

WHILE Uri Geller can apparently bend spoons just by thinking, a Norwegian company has reinvented the teaspoon, writes Lynton McLain.

Dynoplast, of Stjoerdal, has come up with a folding spoon, hinged in the centre, which *can fit inside a teacup.* The design is expected to save SAS, the Scandinavian airline, DKr 790,000 a year (£84,000) through the scrapping of food boxes.

Because Denmark has some of the shortest air routes in Europe, SAS has only 10 minutes to serve coffee and biscuits. The items used to be in a bulky box.

From next month all items will be in a 5 cm high, 7½ cm wide cup. Cabin staff will be able to carry 40 of these at a time, compared with only half that number of boxes.

CONTENTS: Image Data: US, 512 641 8340. Wiesfax: London 680 7043. Automotive Electronic Specialists: Australia, 03 882 8305. Truseal: UK, 0698 36966. Cognos: Canada, 613 738 1440; UK, 0344 486668. Elgood & Sons: UK, 0945 583160. Finstat: London, 925 2323. Dynoplast: Norway, 07 824166.

CINEMA

Truth mugged by rhetoric

BORN ON THE FOURTH OF JULY
Oliver Stone

GLORY
Edward Zwick

DANCIN' THRU THE DARK
Mike Ockrent

TROP BELLE POUR TOI
Bertrand Blier

THE HOUSE OF BERNARDA ALBA
Mario Camus

Oliver Stone's *Born On The Fourth Of July* has been hailed as the ultimate Vietnam movie. Homing in more on the war's domestic aftermath than its on-site horrors, Stone's film belongs to the same cycle as *In Country* and *Welcome Home*. But unlike them it stretches its fresco of American disillusionment across two decades: from the cheerleading dawn of JFK ("We will pay any price . . .") to the crimson twilight of anti-war protest, via a brief, fiery noon in the war itself.

At 2¼ hours, this is a long, ambitious movie. It is also loud, rhetorical and exasperatingly crude. Stone co-wrote the screenplay with crippled Vietnam veteran Ron Kovic, whose story is the film's. Our hero, played with all-American bravado by Tom Cruise, progresses from callow jingoism to rampant pacifism via the shock of war. Stopped by a bullet in Vietnam, he returns home wounded and paralysed. Then, as the bandages which have held his patriotism in place fall away, he joins the anti-war movement. He rages on peace platforms, rows with his Commie-hating Mum and ends as a wheelchaired hero battling for truth, justice and the pre-LBJ American way.

Good intentions flap like a ghostly flag across every frame, just as the stars-and-stripes do across Cruise's face in the film's poster. But as in *Platoon*, Oliver Stone seems unable to craft a wartime morality drama except in crudest colours. Where the earlier film had a Good Sergeant and Evil Sergeant battling for the hero's loyalty, this film delights in double-choice Manichelsm at every turn. The film's Kovic has a nice Pop and a nasty (or screwed-up) Mom. When he leaves his home town, it is a Capra-like dream; when he returns, it is burgeoning with burger bars (tsk tsk). When he stays at a sort of forces' brothel on the Mexican coast, the place begins as Paradise but turns into Hell, with fellow vet Willem Dafoe as a soured, spitting Mephistopheles.

Above all, neither the hero nor the film see any way of confronting the Vietnam experience except in crudest "before" and "after" terms. Before: unquestioning loyalty to the anti-Communist crusade. After: total rejection of that crusade and its bloody impact on a generation.

Throughout the movie, truth gets mugged by rhetoric. I kept asking myself why I was unmoved by scenes like Kovic's agonies in the veterans' hospital (complete with physical and excretory detail never shown before); or by his wheelchaired panic when police swoop on Chicago crowds in a 1968 demo; or even by the war scenes themselves, shot in a yellowy nightmare haze the colour of nausea.

I know why I was unmoved: because the film was holding a gun to my head telling me to be moved. Oliver Stone believes in the bank hold-up method of getting an audience response. Never expect the filmgoer to volunteer an emotion, or to pass it through the teller's window because you have earned it and stored in your account. Just wave the weapons of menace and overstatement and you will get the loot. ($60m worth of it so far at the US box office.)

You do not find pools of shit and urine enough to convey the squalor of a Bronx veterans' hospital? Then throw in rats. The audience might not twig to the tragic irony of a veterans' parade (the agony beneath the hero's smile)? Then throw in a close-up of a frowning circus clown in the crowd.

In another movie by another director, Tom Cruise might have suggested the soul beneath the skin of Kovic. He does here on the few occasions Stone allows him to understate an emotion. But like the film itself, he is too often just sound, fury and state-of-the-art cosmetics.

This is the movie many critics have welcomed as a coming of age for Hollywood's treatment of Vietnam. But that treatment will never grow up until it grows out of setting up simple problems and curing them with simple solutions. *Born On The Fourth Of July* is a postage-stamp story – boy supports war, boy fights war, boy is wounded, boy (after a little prompting) hates war – which comes on as if it were *Götterdämmerung* and the Bayeux tapestry rolled into one.

★

Glory is another war film drawn from a veteran's memoirs, and a better one. Robert Gould Shaw kept a diary of his Civil War experiences, which included the command of the first all-black regiment to fight for the North: the Massachusetts 54th.

Shaw died in battle after volunteering his men for a suicide charge on a Confederate fort. In fact Shaw, not to refine the point, was probably more of a crackpot than actor Matthew Broderick suggests. But he suggests just about enough. The fascination of *Glory*, directed by Edward Zwick as if to make up for his only previous conviction, the brat-pack atrocity *About Last Night*, lies in the sight of a throttled, nervous WASP officer trying to square-bash into shape a hundred surly, simmering blacks.

Three of these are pushed to the foreground by Kevin Jarre's script, though more as stock characters (noble savage division) than as human beings: the honest rebel against authority (Denzel Washington), the bespectacled young bookworm, the grey-haired wiseacre (Morgan Freeman).

The film fires up whenever Broderick – unable to push his men into battle because his COs feel front-line duty is a white man's job – has to control the mini-Civil War on his own doorstep. Will the blacks desert/mutiny/fight amongst themselves? Delete the inapplicable.

Finally, the battle call comes; the angelic choirs sing; the "54th" charges; and the action climax, though ritualised and even a touch sentimentalised, is more moving than anything in *Born On The Fourth Of July*. Why? Because we have come to believe in this stumblebum white officer who has lashed himself to a cargo of human dynamite; a more curious, compelling figure than Stone's icon of American manhood programmed for ideological transfiguration.

★

"Are you a philistine?" asks the girl. "No, I'm a Roman Catholic" replies the boy. Yes, we are in the Liverpool of writer Willy Russell, a place

'Born on the Fourth of July' Tom Cruise as Ron Kovic

entirely populated by the Merseyside branch of the Malaprop family.

Fresh from *Shirley Valentine* the movie, Russell now pens *Dancin' Thru The Dark*, the film of the stage adaptation of the TV play (first called *Stags And Hens*). And thoroughly entertaining it is. On wedding eve, a prospective bride and groom each get together with their same-sex pals for a final rave-up. Only problem: they run into each other at the same rancous, strobe-lit niterie. Only other problem: she meets an old flame, now singing with the semi-famous band appearing at the place.

Film's only problem: it is co-funded by the BBC and Mike Ockrent directs as if caught in a tug of war between large-screen and small-screen values. (Some drably-lit exteriors, much talking-heads mise-en-scene.) But let us not carp. The talk is good and the heads are funny and idiosyncratic; especially the girls, who behave like champagne bottles uncorked after a shaking-up. In a barely-known cast Claire Hackett and Julia Deakin stand out as doubting bride and stork-shaped, spiteful hen-leader respectively.

If anyone ever says to you "Crisis? What crisis?" about the trans-Channel European cinema today, please point or even drag that person to either of this week's ordeals by subtitle.

Trop Belle Pour Toi is an arthritic black comedy from Bertrand (*Tenue De Soirée*) Blier, France's self-appointed answer to Luis Bunuel. Bunuel might have made a meal – or at least a mille-feuille – of this multi-layer expectation-twister about a man (Gerard Depardieu) who deserts a gorgeous wife (Carole Bouquet) for a plain and dumpy mistress (Josiane Balasko). Blier makes a grey, pretentious salon comedy, in which every audience gasp of shock or surprise is so engineered it is like attending a masterclass on how to *épater la bourgeoisie*.

Mario Camus's *The House Of Bernarda Alba* shows that rigor mortis is alive and well in modern Spanish cinema. This is 104 minutes of serve-it-on-the-slab Lorca, stiff with theatricality and in a print so scratchy it seems to have been attacked by a cat. My sympathies are entirely with the cat.

Nigel Andrews

Bus Stop

LYRIC THEATRE

Would Jerry Hall wear her hair down, all of it? Or would she have a shorter, 1950s hair-do, like Monroe's in the movie? The first-night audience was on tenterhooks. For West End coiffeur-spotters, it was the biggest issue since Charlton Heston in *A Man for All Seasons*. She entered Grace's Dinner. The blonde hair flowed. Down to her hips, Jerry was Jerry.

Jerry is playing, in her West End debut, the tank-town "chantoose" Cherie in William Inge's 1955 Kansas comedy *Bus Stop*. But she has the wrong kind of It. Her glamour is too hothouse. Item by item – legs, fishnet tights, scarlet garter, doe eyes, pouting lips, Dolly Parton accent – she's fine, but . . . she shunts correctly round the role as if successfully manoeuvering an obstacle course. It's like Twiggy playing Eliza Doolittle . . . – even as you're watching, you long instead to hear her being interviewed about it afterwards.

Each pose is impressive – but each is a pose. Monroe was delicious as this kind of dumb blonde because of that natural purring energy and her dash of caricature. Every so often, when Hall wields a long aristocratic eyebrow, she suggests she's an intelligent woman who's just playing charades. The best fun of the evening is her terrible singing of "That Old Black Magic," but isn't it also too terrible to be real? And her glamour overpowers Shaun Cassidy – also new to the West End – who plays the Montana cowboy Beau Decker without enough true grit. He has the right dumb charm – but the soft centre shows two acts before it should.

The best acting is around the edges of the stage. David Healy, though sometimes vocally subdued, rings some poignancy from Dr Gerald Lyman, divided between girl-seduction and self-hate, Shakespeare and Scotch. Pippa Henchley, a willing diner waitress Juliet to Lyman's unlikely Romeo, made the wet-behind-the-ears Elma Duckworth touching. As Beau's cowboy comrade, Virgil Blessing, Stuart Milligan has convincing force. He alone conveys a real life lived outside Grace's diner.

Tim Goodchild's set was perfect right down to the sugar-cellars on the checked table cloth and the stags' heads on the wall. The production, which comes from the Palace Theatre, Watford, needs more variety of pace; and the big fight was very obviously choreographed. It was hard to tell whether Phil Oesterman's direction was mainly occupied in pushing the two stars uphill like a boulder or in keeping everything else modest and cosy around them.

Is *Bus Stop* worth reviving? Without character playing more expert at the centre, it looks mighty creaky. The diner does keep starting to find a kind of reality. Some people stay and others pass through town. As people sketch in odd threads of their lives while Country and Western songs drone away in the background, you feel how Inge was trying to be a Chekhov of mid-century Kansas. The sentimental comic neatness keeps coming in the door.

Alastair Macaulay

Alastair Muir

Shaun Cassidy and Jerry Hall

London Philharmonic

FESTIVAL HALL

On Tuesday night the LPO had two Russian guests, the conductor Valery Gergiev, now Artistic Director of the Kirov Theatre, and the pianist Alexander Toradze, who defected in 1983 and now lives in Manhattan. They seemed to get on perfectly well: how quickly things have changed!

The freshest and most interesting part of the programme, however, was – somewhat improbably – drawn from the works of Anatol Liadov. He preceded Stravinsky as a prize pupil of Rimsky-Korsakov, and is now chiefly remembered for having failed to write a *Firebird* for Diaghilev on time, thus bequeathing a golden opportunity to his junior. Gergiev chose to play three of his ingenious little tone-poems, *Kikimora*, *The Enchanted Lake* and *Baba-Yaga*: none of them exactly unfamiliar here, but rarely performed with such winning subtlety.

Rightly, Gergiev took care not to inflate any of them, but even in pianissimo kept their quirkily original colours bright. *The Enchanted Lake*, in particular, can seem a tepid puddle; here it was revealed as a fascinating Impressionist study. Among the witty ideas in *Kikimora* there are cadences which echo the (earlier) *Sorcerer's Apprentice* of Dukas: can Liadov have known it? *Baba-Yaga* took off briskly and rocketed along, as required, till the final fizzle. Gergiev made one regret very much that Liadov didn't pull himself together more often.

In the E-flat Concerto of Liszt, Toradze made a brave beginning – big, resonant tone (but not forced), fine attack, qualified only by a generous sprinkling of finger-slips. The performance as a whole was strong but fairly sober, without specially memorable individual touches, and a little short of treble quicksilver in the latter stages.

One would like to hear Toradze in something more musically demanding: not that there *aren't* musical demands in this Liszt, but it's an open secret that personality, along with expert fingers, is what makes it work best.

After the interval, it took some time for the LPO to get into proper form for Chaikovsky's Fourth Symphony. In the first two movements, the accompanying figures and the chording sounded tentative – as if the orchestra perhaps wanted more definite guidance than Gergiev assumed to be necessary. By the Finale, agreement had been reached about a common purpose, and a blaze was duly fanned.

David Murray

Opera at the Juilliard and Manhattan

Benjamin Fleischmann's opera *Rothschild's Violin*, which three years ago Max Loppert hailed in these pages as "a fully fledged small masterpiece," has just had its American première: given by the Juilliard School in a double bill with *The Seven Deadly Sins*. Fleischmann was a student of Shostakovich at the Leningrad Conservatory. He was killed in 1941, aged 28, in the defence of Leningrad. Before joining the People's Volunteer Guard, he had completed the piano score of *Rothschild's Violin*, his only surviving work, and had scored, we are told, perhaps a third of it. Shostakovich completed the orchestration. There was a radio performance in 1962, a Leningrad production in 1968, and a Melodya recording in 1988.

The source is the Chekhov tale. The protagonist is Jakob Ivanov, village coffin-maker and occasional guest fiddler in a klezmer band. He is 70 years old, avaricious, harsh, joyless. Rothschild is the band's flutist, "a red-haired, emaciated Jew;" there is a pungent scene in which Jakob drives the "greasy, garlic-stinking Yid" from his house and jeering urchins and village dogs take up the chase.

Martha, Jakob's worn-out wife, dies babbling o' a day beside the river when they were young and of their baby girl who died – and whom he has quite forgotten. He makes a coffin for Martha, resenting work that will bring him no rewards; revisits the river and that night, playing his fiddle from time to time, falls to thinking: why has he "spent all his life cursing, bellowing, threatening people with his fists, ill-treating his wife? And what, oh what, was the point of scaring and insulting that Jew just now?" What a waste! How unprofitable! He faces his own death calmly, and bequeaths his fiddle to Rothschild, who makes music on it that moves *all hearts. A small tragic tale, touched at* the last by grace.

Fleischmann reduced the text to a short libretto and then poured music into it: the band's performances, Martha's brief, poignant aria, the chase, and expansiveness only at the close, as Jakob's lyrical monologue passes into a long, swelling violin solo. The score is Chekhovian in its control, its economy, its calmly ruthless "objectivity" that does not conceal compassion, its poetry without sentimentality. The music, harmonically, melodically (and, of course, instrumentally), is Shostakovich-like but with a flavour of its own – without the exaggerated quality of the master's dramatic works. A pungent and poignant work.

The Juilliard performance was essayed in Russian: a useful exercise for the students, no doubt, but diminishing to dramatic effectiveness. The orchestral playing, under Bruno Ferrandis, was very good, but otherwise the merits of the opera had to be deduced rather than observed. Valentin Peytchinov, a Juilliard Opera Center Young Artist who has sung such roles as *Mephistopheles* and *Don Basilio* in his native Bulgaria, seemed to regard Jakob as a juvenile romantic lead; he sang confidently but unimaginatively, in a loud, imprecise bass. Susan Toth Shafer's Martha was better; Charles Workman's Rothschild was excellent.

Christopher Mattaliano's production lacked definition. Allen Moyer's set seemed too open and too elaborate, but its basic structure then housed an exceptionally elegant yet potent performance of *The Seven Deadly Sins*, crisply and intelligently produced by Mattaliano, vividly conducted by Ferrandis and neatly choreographed by Jennifer Muller. Susan Rosenbaum, a *Pamina*, was the singing Anna, Suzanne Auzias de Turenne the dancing Anna, gleamingly partnered by Dylan Newcomb and José Almeida as the various men in her odyssey. Only complaint: the choice of the Feingold rather than of the Auden-Kallman translation.

The Juilliard's next production will be of *Hugh the Drover*. The Manhattan School's latest production was of *The Rake's Progress* – missing from the Met for 36 seasons and from the City Opera for two. Staged by Louis Galterio, designed by Miguel Romero, lit by Jackie Manassee and conducted by Louis Salemno, it was among the best of the many *Rakes* I have seen. Eighteenth-century London, 1951 Stravinsky and Auden and contemporary New York were held in witty equilibrium. The only cliché touch of modishness was a black-suited chorus's donning of dark glasses; at least there were no wheelchairs, television screens, rows of beds onstage. All was fresh, imaginative, attractive and thoroughly musical. The swirling smoke of the brothel scene lingered on to become country mists wraithing Ann's aria, and the clockface became a moon. The moon became a magic clock again in the cemetery scene when, stroke by stroke, Tom's fate is decided.

A *Rake* with singers scarce older than the characters they play has special charm if the singers are good. Leigh Adoff and Christian Fletcher, the Anne and the Tom, were good, and so indeed were nearly all the singers. I saw the show twice, for after the loud, empty pomp of so many Met manifestations, performances like this can renew one's belief in opera.

Andrew Porter

L'occasione fa il ladro

ST JOHN'S, SMITH SQUARE

Following its opening in Ealing, Midsummer Opera's production of *L'occasione fa il ladro* has now made a West End transfer, in the form of two nights at St John's, Smith Square. The piece is a one-act Rossini burlesque and, as such, a good choice for a charity performance like this one, in aid of the Phoenix Appeal.

Although *L'occasione* (known in English as "The Opportunist") dates from 1812 and is thus an early work, that does not mean it wants anything in musical expertise. The score is a blueprint for Rossini's later masterpieces. There is a storm in the Overture and the scampering violins that introduce the first aria show how quickly the composer had mastered that most elusive art, the comic orchestral accompaniment.

Rossini clearly did not have to work at writing comedies. The fine mechanism by which a *buffo* finale ticks over is already working like clockwork in this piece. To some extent a production can be expected to play itself and for that reason it is disappointing that Alan Privett, Midsummer Opera's producer, had not really succeeded in keeping the action as taut as necessary. An underlying slackness often threatened.

This was, however, an evening bedevilled by what public services term "circumstances beyond our control." The leading player, Glenville Hargreaves, as the imposter Don Parmenione, twisted his ankle and was forced to play the second half seated at the side of the stage. A shame, as the Don Giovanni-like comic byplay between master and servant, taken here by Justin Joseph, is potentially one of the main attractions.

There was some fine singing from the Count Alberto of Mark Tucker, who brings a deeper timbre to the Rossinian tenor than is usual, while still moving easily around the notes. David Skewes put in a useful cameo as the crotchety Don Eusebio and the two sisters were shared between Lorelle Skewes and Jenny Miller. David Roblou led Midsummer Opera's unnamed orchestra in a neat performance, but without unfortunately solving all the problems of the St John's acoustics.

Richard Fairman

ARTS GUIDE

February 23-March 1

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from 16th century British painting through to the the most recent of modern international art. It is a curatorial triumph.

The Tate Gallery. Joseph Wright of Derby – a full study of the work of one of England's most distinctive painters of the 18th century, yet one, like his close contemporary George Stubbs, too often dismissed as a mere *provincial*. Daily until April 22, except Bank Holidays; sponsored by The British Land Company.

The Barbican. Scottish Art Since 1900 – a brisk and effective celebration of what has always been a most vigorous and distinctive national school, yet one which has for far too long been not so much under-rated as under-known in the southern Kingdom. There are still gaps and over-rapid transitions, but the show nevertheless makes its point very well. Daily until April 16; sponsored by Flemings.

The Royal Academy: Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure. Until April 8.

Paris

Grand Palais. Soliman Le Magnifique. A treasure trove of goldsmiths' work, miniatures, ceramics and textiles recalls the splendour of the reign of Soliman "the shadow of god on earth", whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Gulf. Closed Tue, Wed late closing, ends May 14 (42895410).

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends March 18 (40513838).

Musee d'Orsay. The Fragmented Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition beginning with ex-votos and reliquaries and culminating in a celebration of Degas, Bourdelle; Maillol and especially of Rodin with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40494814).

Centre Georges Pompidou. Pavel Nikolaievitch Filonov. A solitary figure of the Russian *avant-garde*, he refutes cubism and futurism as contrary to nature's – and art's – organic development. "Every atom" of the surface of the 50 paintings and 150 drawings is given intense attention and basks in the light of idyllic harmony in cruel contrast to his own destiny. Closed Tue, ends April 30 (42771233).

Brussels

Archives Générale du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.

Musees Royaux D'Art et D'Histoire. The Enigma of the Easter Islands is partially deciphered in this exhibition of photographs and artifacts. Closed Monday ends April 29.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1938-1983, the larger of which are seen to excellent effect in the courtyard of the 15th century castle, while the smaller bronzes, preparatory studies and drawings are shown inside, in the beautifully lit Sala Viscontea. Ends March 25.

Madrid

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1956 and 1985. Ends March 19.

Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.

Fundacion Juan March. Ian Woodner collection of works by Odilon Redon. A very complete exhibition consisting of some 100 works in various media, illustrating the different aspects of the French symbolist painter's work. Ends April 1.

Museo del Prado. Following the highly successful Velazquez exhibition at the Metropolitan, the Prado is now host to the largest show to date of works by the great 17th century artist. Fifty of the 80 paintings at the exhibition belong to the Prado, the rest have been borrowed from various collections around the world, and in some cases are being shown in Spain for the first time. Ends March 15.

Barcelona

Palacio Tinel. Baroque Painting in the Mediterranean. The Italo-Spanish festival brings together sixty 17th century works belonging to Spain and Italy. Velazquez, Murillo, Rubens, Van Dyck, Claudio Coello, Testa, Cavallino are but some of the great artists whose works can be admired. Ends March 30.

Hamburg

Kunsthalle Glockengiesserwall. Ian Hamilton Finlay with works from the French Revolution. Ten of the Scottish painter's projects including reliefs and 40 graphic works are on show until Feb 28.

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Mainz

Landesmuseum. Marc Chagall (1889-1985), who died in 1985 was one of the most polular artists of the 20th century. Around 106 of this works, not shown in public before are to be only seen in Mainz until April 22. The gouaches, water-colours, pastels and paintings present themes of the old testament.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Centre for International Contemporary Arts. Large-scale works in pastel and compressed charcoal by 31-year-old British artist David Oliphant, is the first of a series of four shows of young British artists slated for this new, well-received arts institution. Ends April 21.

Museum of Modern Art. In its serious, thorough way the museum gives its version of the history of photography, showing off earlier image-developing techniques along with 275 photographs. Ends May 29.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided, America in the Age of Lincoln, with documents, mementoes and personal effects of the Great Emancipator.

Tokyo

Suntory Museum. Mission to Rome. In the early 17th century a feudal lord from northern Japan despatched a mission to the Pope asking Christian missionaries to come to Japan. This fascinating exhibition documents the failure of the delegation and the subsequent ban on Christianity that was to last over 200 years. Closed Tuesday.

Teien Museum. German Romantics. Loan exhibition from Dusseldorf – stronger on mid-19th century academic painters than on visionaries such as Friedrich and Bocklin. This museum is a former palace and has a superb art deco interior and a pleasant garden for strolling in. Closed Wednesday.

Idemitsu Museum. Ceramics of Japan. Second part of a comprehensive exhibition devoted to major pieces from the museum's own vast collection.

Japan Folk Crafts Museum. Woodblock prints by Shiko Munakata, a pioneer of the arts and crafts movement in Japan. The museum, in old farmhouse buildings, is a treasure-house of the traditional arts. Closed Tuesday.

SALEROOM

A contemporary view of the battles at Prevesa and Vonitsa in Greece in 1717, attributed to an artist known as Quaritso, sold for £82,500 at Sotheby's yesterday to the London dealer Carlton Hobbs. The top estimate had been £7,000 but this is the only known portrayal of the Venetian victories over the Turks which basically halted the Ottoman advance into western Europe. To add to their value, they had remained in the family of Count Johann Matthias von der Schulenburg who commanded the Venetian army on the day.

The sale of minor Old Masters just topped £1m with 15 per cent unsold. A still life of a ham, game, fruit, etc, by Oudry quadrupled its estimate at £40,700.

Meanwhile in New York contemporary art remains in demand. A Sotheby's auction totalled $15.7m (£9.3m) with 10 per cent unsold. "Untitled," an acrylic abstract by Sam Francis, sold to Japan for $385,000 (£227,500) while the same buyer paid $330,000 (£195,000) for another Sam Francis "EIV," which also has strips of purple, red, white and yellow paint crossing a white surface.

"Typewriter erasure," a 1977 sculpture by Claes Oldenburg, one of fifteen, involving concrete and pigment and aluminium with stainless steel, doubled its estimate at $308,000 (£182,000).

Antony Thorncroft

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East Europe's debt burden

EASTERN EUROPE needs more money, but it cannot afford to borrow it on commercial terms. The OECD's special feature on the region in last month's Financial Market Trends clearly identifies the region's growing economic and financial problems. The logic of its findings is that further lending to eastern Europe, in particular to Poland, Hungary and Bulgaria, is unsustainable, potentially counter-productive, and risky to the lender.

As state control over the eastern European economies is being loosened, the downside risk is appearing faster than the upside opportunity. Growth is slowing, since "industry has not proved able to utilise new technology efficiently, resource waste continues, quality is declining and consumer supplies have worsened." Inflation is rising as subsidies are removed and wage increases accelerate. Exports to the West fell in 1989, while imports – in particular of machinery and equipment – rose, producing current account deficits in all the eastern European countries except Romania.

The result is that indebtedness is also rising. In particular, Bulgaria, Poland, Hungary, Czechoslovakia and the Soviet Union all experienced rapid increases in debt in 1989.

Mountainous problem

The OECD puts in question the capability of these countries to continue running up debt and servicing existing obligations. Poland's mountainous problem is well known, with the crippling burden of payments on its $36bn debt accounting for nearly 50 per cent of exports. Bulgaria and Hungary have also reached the level where borrowing cannot be increased significantly, the report says. Czechoslovakia, the Soviet Union and East Germany have seen their debt/export ratios rising rapidly since 1986. Hungary's reserves have slipped to below 20 per cent of exports.

This has contributed to a dangerous increase in what the OECD terms "vulnerability" – the difference between the resources available to a country and its requirements, assuming no new borrowing. Bulgaria, Poland and Hungary are all in a position where "a loss of confidence which severely constrained the capacity to continue borrowing could lead to a liquidity crisis."

But political change is increasing the risk of such a crisis of confidence. The shift towards democracy is to be welcomed, but it undermines some important assumptions about lending to eastern Europe. "Everywhere, the stable political system with effective social control is becoming more liberalised, more open and more volatile."

Domestic readjustment

Western lenders were impressed by the ease with which eastern Europe carried out domestic readjustment policies after the financial shock of 1982. The biggest uncertainty created by the wave of change is how far the new governments can sustain their reform programmes in the face of deteriorating external circumstances, while maintaining popular support.

Eastern Europe has, since 1985, become increasingly dependent on financial markets, rather than government-guaranteed lending. In the mid-1980s, banks competed for custom and were prepared to offer attractive terms. But in the last year, they too have seen the risks, and responded accordingly. At the end of 1987, the Soviet Union and Czechoslovakia could borrow at ⅛ of a basis point over Libor; now, spreads are drifting towards ½ a point or higher. Interest rates are also rising: Libor was 9 per cent at the end of 1987, and is now nearly 15 per cent.

The OECD is certainly not predicting a new Latin America. As the report says: "Compared to other indebted regions, the interest burden of the eastern European economies, with the exception of Poland, is relatively light." None the less, an increase in the burden would create significant short-term dangers.

Financial inflows are necessary if reconstruction is to proceed, and if the twin spectres the West is trying to avoid – default and instability, caused by social unrest – are to be avoided. But commercial lending will not be the answer. The needs are too great and so are the risks.

After-lunch delights

FOR THOSE who enjoy ego-tripping, there is nothing to beat a Board lunch, a good cigar, and half an hour of sounding-off. Best of all is a moment's reflection on the fact that the portion of the earth's population that is not present at the lunch lacks the intelligence, foresight, and deep understanding of the true state of world affairs that is to be found around that very table. Mr Peter Morgan, the Director General of Britain's Institute of Directors, enjoyed a lunch of lunches on Tuesday. It enabled him to savour extensive ruminations, copy to the media.

He made the most of it. West Germany, he pointed out, believes in capitalism. In Britain, he told the lunchers, some 37 per cent of the people feel negative about it. Something has to be done to win them around. Does this mean that Britain should emulate West Germany in every respect? We should then have proportional representation, an independent central bank, high social expenditure, possibly a Social Democratic government by Christmas, strong environmental policies, *Mitbestimmung*, wurst, and much else besides.

Mr Morgan did not address himself to these issues. He did however, allude to the sorry state of British education and training, which he compared with the efforts put in by those devilish West Germans. "In effect, we confront panzer divisions with the home guard," said Mr Morgan, in a phrase for which he may be forgiven much else. This is true. It has been demonstrated in a number of learned papers. One of Mr Morgan's solutions is to help and encourage teachers "to discard the blue jeans of union activism and put on the gown of a respected profession." The response from the school canteen might be that such an ideal would be easier to achieve if the average teacher were paid at least as well as the average director's secretary.

Public expenditure

That would, however, require increased public expenditure. There is a small difficulty here. It has to be financed by taxpayers. "That is where all the money comes from," the members of the Institute of Directors must have been fascinated to hear. "Enterprise people" – the good guys in this speech – believe that the Government should reduce taxes. "It is not generally appreciated," Mr Morgan said, "that the tax burden is 5 percentage points higher today than it was in 1979: up to 38 per cent from 33 per cent" of GDP.

Bad logic

This is not good business logic. Any director worth his salt wants to know what a proposal will cost before he will look at it. This applies as much to education and training within a firm as to any other cost. A manager who put up a non-costed proposal and surrounded it with phrases about how terrible it was that costs overall had grown would quite properly be told to go away.

After-lunch is, however, an occasion for freewheeling, not thought. "The enterprise culture is an alien concept for the established church," Mr Morgan complained. (This is probably the fault of its Founder, who would insist on concentrating on the poor.) Many of the middle classes, it was further complained, share establishment attitudes. They use the classroom, the pulpit, the press, even the stage, to characterise the 1980s as a decade of greed, to brand the successful as materialistic, and to denigrate individualism.

Business could make itself a less easy target for those who doubt its moral stance. Mr Morgan, a former IBM-er, indicated some possibilities. Directors should have formal training. Non-executive directors should fix the chief executive's salary; payment should be by results. Both personal and company contributions should be made to welfare and the arts. And so on.

Much has changed in the last 10 years to make the UK a land fit for entrepreneurs. Mr Morgan is right to point out that more needs to be done, especially in the field of education and training. But when the post prandial cigars have finally been stubbed out, the real world sometimes turns out to be a bit more complicated than it seemed in the dining room.

ECONOMIC VIEWPOINT

The UK's V-Turn

By Samuel Brittan

Forecasters often protect themselves by saying that the economy is exceptionally difficult to predict or that it is balanced on a knife-edge.

Current economic trends are, just for once, easier than normal to predict. The uncertainties lie further ahead: in how much counter-inflationary benefit the economy will derive from the present slowdown, and the problems of re-entry towards more normal growth in 1991, especially if there is still no anchor for sterling.

Is there, meanwhile, going to be a recession in 1990, in the strict sense of a fall in output? The question is hardly worth discussing. This is because the underlying growth trend of the UK economy is at least 2½ to 3 per cent per annum (probably more); and any year in which output growth is less constitutes what the US calls a growth recession, which eventually brings downward pressures on profit margins, prices, pay and the payments deficit.

The severity of the slowdown does, of course, matter. But there is no great significance in whether output growth in a particular period falls short of or exceeds the magic rate of zero.

Since the summer of 1988 the object of policy has been to slow down the growth of domestic demand, which has both spilled over into the balance of payments and generated inflation at home. At long last there are clear signs that it is succeeding.

At the height of the boom in 1988 total demand in money terms grew by about 15 per cent. In 1989 its growth slowed down to around 11 per cent and in 1990 it looks like growing by only 6 or 6½ per cent. (These estimates come from official and National Institute of Economic and Social Research projections translated into cash terms.)

Because resources cannot be switched overnight from the home market to the export or import-competing sectors, the effects of the demand slowdown have shown themselves in a mixture of recessionary pressure and balance of payments improvements.

The payments turnround,

There is no great significance in whether growth falls short of the magic rate of zero

after a slow start and much statistical fog, is now faster than Whitehall analysts dared to hope. This conclusion is not affected by the upward blip in the January deficit – half of which reflects erratic changes in diamonds and aircraft.

The main importance of the January blip is that I shall have to continue my teenager's guide (incorporated into the accompanying chart) a little longer. Adults, however, look at trends over a minimum of three months at a time and preferably somewhat longer. Excluding oil and erratics, export volume in the latest three months was 4 per cent higher than in the previous three months and 11 per cent higher than in the same period a year before. Import volume by contrast has fallen by 1 per cent over the previous three months and is up only 2 per cent on a year ago.

These trends are taken in Whitehall as confirmation that the earlier sharp rise in the deficit reflected excess demand and not an overvalued pound. Thus, to try to engineer a devaluation before applying for full membership of the European Monetary System would be to shoot oneself in the foot and postpone unnecessarily the benefits of membership.

The less welcome output slowdown is best measured exclusive of North Sea oil – because of the recent series of disasters and subsequent recovery in that sector. Real gross domestic product, exclusive of oil, is expected by the NIESR to rise by under 1 per cent this year. As mainstream forecasters often underestimate both booms and slumps, I have added to the chart a projection showing an actual fall in output of more than 1 per cent expected by an outrider with successes to his credit, namely Peter Warburton of Robert Fleming Securities.

There is, incidentally, no reason to change one's 1990 assessment because the estimate for GDP for the last quarter of 1989 shows a modest increase – probably due to the recovery of the oil sector.

According to the NIESR, about half the output slowdown is due to the end of the consumer boom and half to a shift from heavy stockbuilding in 1989 to stock reduction in 1990. The mere end of the stock swing should bring an output recovery in 1991 without any actual resumption of stockbuilding. A moderate recovery in consumption in line with rising incomes should boost output further.

The stock factor has a special importance in the big balance of payments turnround taking place this year. As this will not be repeated in future years, the most likely medium-term prospect is of current deficits as recorded trundling along at around 2 per cent of GDP (compared with 4½ per cent in 1989), a sustainable prospect, given confidence.

The NIESR expects output to be rising by 2½ per cent in 1992, nearly back to its underlying trend without benefit of any government stimulus. "Nearly" because on its estimate, capacity utilisation is above its sustainable rate and unemployment is slightly below the rate compatible with non-accelerating inflation rate of unemployment – the so-called NAIRU. So growth will have to be below trend in the early 1990s until the required margin of slack is established.

I cannot help remarking what a change has come over the NIESR, which in the 1970s would not have understood how output could grow without active demand management and would have utterly disdained the NAIRU notion. The latest Review has even explicitly abandoned its long-standing advocacy of incomes policy in favour of full EMS membership, "which makes such policies redundant." Old Believers can still, however, be comforted by the continuing belief in fiscal activism directed towards the balance of payments.

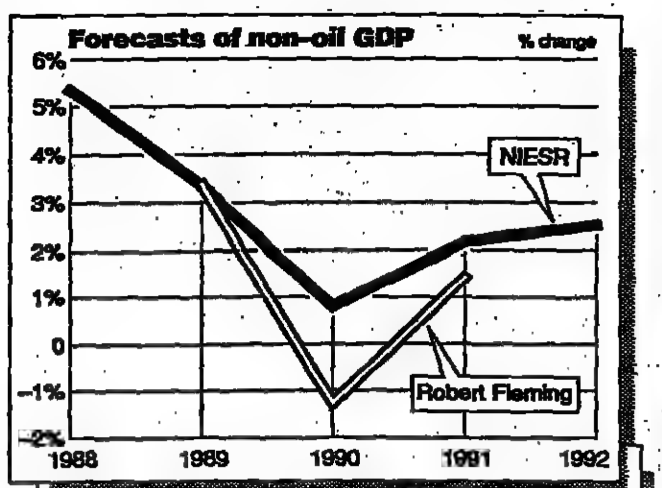
On fiscal policy, however, the rival London Business School scores. Its latest Economic Outlook warns that a discretionary increase in taxation in John Major's forthcoming Budget, to show his anti-inflationary resolve, could easily backfire. For markets would be likely to "misinterpret" his intention (or more likely correctly interpret it) as a prelude to interest rate cuts which will weaken sterling and worsen rather than improve the underlying course of inflation. So the backbenchers who advise the Chancellor not to raise taxes are wiser than they know.

What, then, is the outlook on the inflation front? There is first another blip to negotiate, due to the combination of the community charge, energy, water and rent increases, the latest mortgage rise and the normal Budget increases in the specific duties. The fear is that these could combine to take headline inflation to a new peak above the 8.3 per cent one reached last June. Phillips & Drew explains in a useful note that some of these pressures were also evident at the same time a year ago. The RPI for April 1990, the month of maximum pressure, could be anywhere from 7.1 to 8.7 per cent above a year before, with 8 per cent as the best guess.

More important is what happens to underlying inflation once the economy recovers. Both the NIESR and the London Business School see the GDP deflator at above 6 per cent well into the early 1990s, with other underlying indicators of inflation not much lower. Looking further into the decade, there is more light at the end of the tunnel in the NIESR projections, partly because they assume full EMS membership at the end of this year, after a moderate depreciation and using the old Italian formula of wider margins.

The importance of the January trade blip is that I shall have to continue my teenager's guide

The NIESR calls in its editorial for a new attitude to pay-setting. But neither body shows the obsession with recent pay awards of Parliament and the media. This is not because pay is unimportant but because the route to lower inflation lies through squeezed profit margins, tighter product markets and easier labour markets, with wage increases themselves coming down only at a fairly late stage of the economic slowdown. Resistance by unions or employers to these forces eventually leads not to more inflation but to higher unemployment and less output – another result which would make the NIESR founding fathers blink in disbelief.



UK visible trade volume (% change)

	Exports	Imports
Latest 3 months on previous 3 months	4	–1
Latest 6 months on previous 6 months	6½	1
Latest 3 months on same period previous year	11	2
1989 on 1988	10	8
1988 on 1987	4	14

Seasonally adjusted, excludes oil & erratic items. Source: CSO

BOOK REVIEW

Defying the scientific odds

CELLTECH: The First Ten Years of a Biotechnology Company
By Mark Dodgson
Science Policy Research Unit, Sussex University, £100

This book tells the story of a small science-based company which is not yet 10 years old and which spent nearly a third of its revenues on research and development last year. Even by aerospace or nuclear industry standards, that proportion is high.

The company, Celltech, was set up to take several new, untried and fast-evolving "enabling technologies" and forge them into pharmaceuticals to treat diseases – such as cancer, hepatitis and AIDS – still defying the best R&D efforts of multinational drug companies.

Celltech itself is a "radical invention", in the view of the author, Mark Dodgson of the Science Policy Research Unit at Sussex University. He undertook an academic appraisal of its first 10 years at the invitation of the company's chief executive. To build commercial credibility as well as revenue during the protracted drug R&D process – typically eight to 10 years – the company undertook both contract R&D and contract manufacture of other people's drug inventions, engaging its special understanding of the new enabling technologies. For this it looked first to the academic world and painstakingly fostered an intimacy few UK companies can match.

The author found that in the 18 months before Celltech was formed it had to overcome political and bureaucratic hurdles "which undoubtedly would have defeated any company without extraordinary ambition." This included raising more than half of the £12m launch capital from City sources – a condition of receiving any support from the Government.

But the most troublesome hurdle concerned intellectual property rights. Celltech's creators had identified the Medical Research Council, and specifically its Laboratory of Molecular Biology in Cambridge, as the primary source of science it wanted to tap. But there were formidable legal as well as commercial and personal objections in granting the exclusive access required. Celltech obtained the rights but later was obliged to relinquish them through pressure from competing companies.

It entered a world sceptical of its aims, and depended on an academic community unprepared for the business world and a business world unreceptive of innovation. Biotechnology had yet to yield a single marketable product.

At the age of 10, is Celltech a success? Not if judged simply by profitability, Dodgson concludes, and it has little chance of making substantial profits for some years. But today it is worth 10 times the initial investment, is reckoned to be Europe's leading biotechnology firm and ranks with the world's top 12.

It has successfully commercialised British academic science – something the UK is often said to be bad at. Exports account for 90 per cent of sales, and it has struck partnerships with some of the world's leading drug companies overseas.

What is missing? "One of the company's most obvious failures has been its inability to create successful joint ventures from the opportunities it had in diagnostics and microbiology." Celltech has been criticised for an alleged lack of market focus. Identifying products of major commercial potential has not been one of its greatest strengths, he says.

Should the company have pursued two different strands of genetic engineering simultaneously, at considerable R&D expense? It compounded its financial problems but it now has novel drugs emerging from both technologies and high hopes of others from a convergence of the two. Profligacy in the R&D department can hardly be its central problem, for another such company, Porton International, set up soon after with short-term aims, has done no better.

Had Celltech done as some shareholders wished and focused on one of the early objectives it could never have mustered the broad spectrum of technology it commands today. But that spectrum could need another decade to realise its commercial potential.

Dodgson finds two clear lessons in Celltech's history. Many people – including many of its shareholders – were far too optimistic about how long it would take. The obvious analogy is micro-electronics, which took 25 years to turn into the novel products of the 1970s. The big biotechnology breakthroughs did not take place until the mid-1970s. The other is the way Celltech has managed the conflicting pressures of creating a company with high standards and business ethics, and long-term competences, while still satisfying at least some of the demands for short-termism and profits.

What will happen to Celltech now that its majority shareholder, British & Commonwealth Holdings, intends to sell, is anyone's guess. Will it become part of a major drug company, as Genentech has done? Will it find an "angel" to preserve its independence for a few more years? The author believes that Celltech has overcome so many obstacles that a solution must be found. Abandoning the venture or breaking it up is certainly not one of them.

David Fishlock

OBSERVER

Step up for Villiers

■ Abbey National has decided to stand by Charles Villiers, the former chairman of County NatWest, who is among the defendants due to go on trial later this year for their role in the Blue Arrow affair.

Villiers joined the former building society in October 1988 as managing director for corporate affairs, eight months after leaving County NatWest in the wake of the Blue Arrow events and the announcement of heavy losses in 1987. From a relatively modest office on the director's floor of Abbey National's Baker Street headquarters, he has been put to work mapping out the long term strategy for the group and planning its technology and computers investment.

So far so good. Villiers was one of three directors appointed to Abbey National's board in January last year – too late to be put up for election to the board at the 1989 annual general meeting. Now Sir Campbell Adamson, Abbey National chairman, and Peter Birch have decided that Villiers is to be retained as a director, notwithstanding his fraud indictment in the meantime. His name will be included among those presented to shareholders for election to the board at this year's annual general meeting on April 10.

As Abbey National's chief executive, Birch confirmed yesterday that he and Adamson will be giving him their full backing. "The Bank of England has ruled that Charles is a fit and proper person for the job he is currently doing and we see no reason why he should not carry on," Birch said.

No sale

■ As if Argentina's President Carlos Menem did not have enough problems, he now has to face grumpy children when he gets home from the office. His daughter Zulema, recently on holiday with the tennis player, Gabriela Sabatini, in Australia, took a liking to the local koalas and kangaroos. She decided to buy one of each for the presidential palace gardens.

But her request has been turned down flat. Juan Carlos Beltramino, the Argentine Ambassador in Canberra who was placed in charge of the negotiations, has been obliged to inform the Foreign Ministry in Buenos Aires that Australian fauna are for sale only to places of public display. Beltramino is now thought to be looking for another job.

Strange man

■ It is said that obituary writing in Britain has recently undergone a change of style: it has become more honest and less deferential. But not, it seems, when journalists write about journalists.

The obituaries of Henry Fairlie, the British journalist who died in Washington this week, are a case in point. Fairlie was best known for his article which defined the British (or rather English) Establishment – "the whole matrix of official and social relations within which power is exercised."

Some of the members of this Establishment seem even odder now than when the piece was written in 1955: the chairman of the Arts Council, the Director-General of the BBC, and even the editor of the Times Literary Supplement, "not to mention divinities like Lady Violet Bonham Carter." But, in a curious way, the piece stuck.

So did the attack on the Foreign Office contained in the same article. Fairlie alleged that the Office was almost at the very heart of the Establishment – much in the way that (say) Norman Tebbit would

"...and two insurance brokers, that's the lot."

attack the Foreign Office today.

As an analysis, it never seemed very profound. Of course, there is an establishment – or network – of contacts. What was surprising was how few people had realised that before. Whether deliberately or not, Fairlie thus contributed to the conspiracy theory of politics.

This is an extremely useful theory for journalists. It enables them to make comments without doing a great deal of research. Fairlie was a great dilettante.

Consul Ryan

■ Tony Ryan, head of GPA, the world's leading aircraft leasing group, is well known the collection of politicians on his board, including – most recently – the former British Chancellor, Nigel Lawson.

Now it is Ryan's own turn to collect the honours. An invitation doing the rounds of Dublin society says he is to be appointed Honorary Consul of Mexico in Ireland.

GPA is believed to be doing substantial business in Mexico, and the ceremony, hosted by Mexico's London ambassador, will take place in Dublin's House of Lords, now part of a bank building but once the old colonial Parliament.

Michael Smurfit, head of the Smurfit paper and packaging group, is another of Ireland's multi-millionaires with diplomatic honours. Smurfit, however, operates as Irish Honorary Consul at his home base in Monaco.

Cost-cutting

■ Among the beauty contests that are conducted in the City, the one promoted by the Greenwich Associates of the US has the distinction of being the most secretive and detailed.

It purports to go right inside the operation of any given securities house, identifying its strengths and weaknesses in forensic detail, by talking to clients. Greenwich has been hawking the results of its latest survey of the UK Government securities, or gilts, market around London's leading operators over the past week or so.

But it has been unable to convince one securities house to pay the $20,000 for its five volume report. Greenwell Montagu thought the price too high, despite being identified as the market's top performer. As one senior Greenwell executive noted, although he liked the result, he had doubts about the methodology.

Could catch on

■ In an attempt to confirm his belief that some customers will buy any sort of drink if they think it is the "in" thing, the landlord of a Hampshire pub claims to have hung a sign in his saloon bar advertising "Our speciality: Brandy and chopped onion, £1." In four hours he sold seven, and one young customer complimented him on "the best brandy and onion I've ever tasted."

Janet Bush and Alan Friedman look at the crisis of confidence in the US securities industry

The humbling of Wall Street

First came the bankruptcy of Drexel Burnham Lambert. Then CS First Boston, another Wall Street giant, admitted at the weekend that it has $1.2bn in troubling junk-bond related loan exposure. This week it was the turn of Shearson Lehman Hutton, as its parent American Express pledged another $750m in fresh capital and talks were revealed with Primerica, a rival financial services group, about selling a stake in Shearson.

These and other big Wall Street firms have been humbled. The commercial banks who lend to the securities business have become more circumspect. Their concern has been heightened where companies have been heavily involved in the junk bond market or have made temporary bridge loans, which were to have been converted into permanent financing through the issue of high yield bonds that cannot now find a market.

First Boston and Shearson have felt it necessary to go to extraordinary lengths to bolster confidence. Both resent, however, being talked about in the same bracket as Drexel — or compared with each other.

Wall Street nervousness has been heightened by the speed with which Drexel went under. It filed for bankruptcy less than a week after it started facing liquidity problems, proof of a securities firm's vulnerability to loss of confidence.

"What would normally have been black eyes or embarrassments have been blown up to something major because of what happened to Drexel," said Mr Christopher Mahoney, securities industry analyst at Moody's, the credit rating agency.

Mr Henry Kaufman, the veteran bond-market economist, believes that the demise of Drexel marks the beginning of an era in which Wall Street will pay a heavy price for the excesses of the last decade. "Drexel Burnham's collapse is symptomatic of a deeper problem: the abuse of the American credit system," he wrote recently.

The securities industry's profitability has deteriorated badly since the mid-1980s, hurt by a decline in trading volume, a marked slowing in takeover activity, increased competition from overseas and a distressed junk bond market. Some executives believe that the industry, which has already shed 17,000 jobs since 1987, may have to slim down by another 25 per cent or 85,000 jobs.

The brokerage industry's return on equity has dropped from around 50 per cent in 1980 to scarcely 6 per cent in 1989. Pre-tax profit margins are now at around 4 per cent, down from 14 per cent in 1980. Securities houses' earnings last year were generally 10 per cent to 15 per cent below the level achieved in 1988 and half those of 1986.

In January, Merrill Lynch, the largest US securities house, announced a record net loss in 1989 of $213.4m after taking a pre-tax charge of $470m to cover the costs of divestments and cuts. It is expected to shed up to 3,000 of its 40,500 workforce this year.

Many analysts believe that the shake-out on Wall Street, already under way, will be as severe as the retrenchment of the late 1970s after fixed commissions were abolished.

It is in this environment that Mr James Robinson, chairman of American Express, decided he needed to pour more money into Shearson. It cannot have been a pleasant decision.

Last month, after inducing the abrupt departure of Mr Peter Cohen, former chief executive of Shearson, Mr Robinson thought his Shearson headaches were over. Mr Cohen's departure was followed by the news that Shearson was scrapping a $350m public sale of its shares which was to have been the centrepiece of an $870m recapitalisation announced in December.

Instead, American Express said it would stump up the $250m through a Shearson rights offering. Mr Robinson said that he would then fulfil his goal of getting Shearson — and its $7bn in debt — off the American Express balance sheet by handing his shareholders a special dividend of Shearson stock. This would reduce the American Express holding from 61 per cent to 45 per cent.

Mr Howard Clark Jr, the conservative American Express chief financial officer, was installed as the new Shearson chief executive. He has had to face the fact that Shearson is sitting on $1.1bn of problem real estate loans held through its Balcor subsidiary and $600m of bridge loans. Some $500m of these loans are to Prime Computer, with much of the balance tied up with AMI, a hospital company that also owes money to First Boston.

Faced with $1.7bn of loans that will be difficult to unwind, American Express has now abandoned the rights issue and replaced it with a fresh plan to inject $750m of capital through the purchase of Shearson equity.

This will bring the American Express holding in Shearson from its current 61 per cent up to more than 70 per cent and the total Shearson recapitalisation to $1.35bn. Yesterday, Shearson unveiled a drastic cost-cutting package, including the sacking of 2,000 of its workforce of 35,000.

"Howard has decided that it is better to keep the umbilical cord with American Express until they can fix up Shearson," said one insider. Mr Robinson, meanwhile, "knows that his reputation is on the line this time and is going to roll up his sleeves and really solve the Shearson situation."

One solution would be to press ahead with the project of removing Shearson from American Express's consolidated financial statements by pushing the parent's stake in the brokerage below 50 per cent.

This was a consideration in the informal exploratory talks held with Mr Sandy Weill, chairman of the Primerica financial services conglomerate and the man who built up Shearson and sold it to American Express. The talks revolve around the possibility of Primerica buying a big enough stake in Shearson from American Express to reduce its holding below 50 per cent.

A deal with Primerica, if it ever comes to fruition, will take time to complete. For the moment, American Express is satisfied that its latest actions will offer Wall Street what one executive termed "a statement of confidence with a capital S."

And Mr Robinson has been experimenting with a new slogan: the American Express team at Shearson is being dubbed "Patriots at the Gate." The reference is to Barbarians at the Gate, a best-selling book criticising the investment bankers (including Mr Cohen) who went into battle over the leveraged buyout of RJR Nabisco in 1988.

Mr Robinson says: "It is about time that people started to focus on credit and the responsible management of Wall Street." Asked what this will mean for Shearson, he replies: "I can assure you that our direction in the 1990s will be substantially different from the 1980s."

First Boston's image problems stem from the moment last year when Campeau, the Canadian real estate conglomerate which built a US retail empire on pile of junk bonds backed by First Boston, found it could not service its debt.

First Boston has acknowledged that it is sitting on $1.2bn of bridge loans but says it has set aside sufficient reserves to cover its exposure. Last weekend, First Boston leaked an internal memo, signed jointly by Mr Jack Hennessy, president, and Mr Rainer Gut, chairman, of Credit Suisse, First Boston's parent. The implication was that the Swiss bank would stand behind its US subsidiary if necessary.

The memo said that First Boston's total equity plus reserves amounted to around $2bn. It also disclosed that net profit in 1989 was cut to a mere $11m compared with $137m in 1988.

The most troublesome exposure is a $257m bridge loan to Federated Department Stores, part of the Campeau empire. It filed for bankruptcy in January, leaving First Boston with only a dim, long-term hope of getting its money back.

There is another $935m outstanding in loans to Ohio Mattress, Jerrico (a fast-food restaurant chain) and AMI. Although not liquid, these loans at least present some value. Ohio Mattress is said to be operating in line with the projections made at the time of its buyout; a junk bond offering last summer to convert the bridge loan to permanent financing was cancelled because of market conditions. An analyst at Standard & Poor's says that Jerrico and AMI both have positive cash flows and are paying interest.

The problem faced by First Boston is finding a way to get these loans off its balance sheet since it cannot refinance them with junk bonds given the distressed state of the market. The company is believed to have found some interest among institutional investors in the Ohio Mattress loan, perhaps through private placements, but has not decided whether it wants to sell in current conditions. Its parent CS Holding has also examined the possibility of taking on some of First Boston's bridge loans.

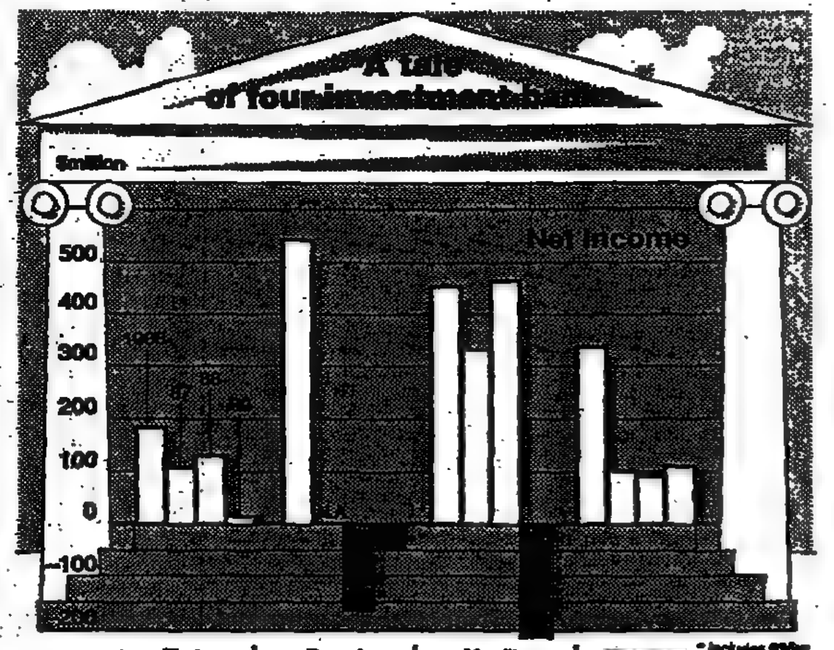
Both Standard & Poor's and Moody's, the rating agencies, said this week they were satisfied with First Boston's operating performance and the steps it has taken to deal with its bridge loan exposure.

For the harried top executives at Shearson and First Boston, this week's fires have been doused. Neither firm can say its loan problems have been definitively resolved. At least, however, they have assured themselves and the market that if the worst came to pass — a series of write-offs — the reserves would be there to cover potential losses.

Shearson and First Boston are not alone. More problems will certainly surface on Wall Street. The key to survival will be sufficient financial strength to leave an investment bank that has to write off problem loans with enough capital to keep its bank lenders happy and generate the revenue needed to cover overheads.

Meanwhile, Mr Robinson can take comfort that, whatever Shearson's problems, they could be worse: "We have been uniquely unsuccessful in building share in the junk bond market," he says, adding gratefully: "Thank goodness!"

Additional research by Rieko Nachoma.



1989	First Boston	Drexel Burnham Lambert	Merrill Lynch	Shearson Lehman*
Total capital	$2.0bn	$1.7bn	$10.0bn	$5.3bn
Employees	6,252	5,400	40,500	35,000

*Includes [illegible] gain on sale of Lehman Asset Management

LOMBARD

Small typhoon in Tokyo

By John Plender

FIRST THE Tokyo stock market records the second biggest one-day fall in history on Monday. Then the Nikkei index recoups most of its loss with a 1,270 point jump over the past two days. Was the Tokyo stock market crash which began last week just a storm in a ceremonial tea cup?

As far as London and Wall Street are concerned, the answer is yes. Longstanding fears that a crash in Tokyo might precipitate a global financial crisis have been put to rest for the moment by plausible logic. The current level of equity markets in Britain and the US is, after all, rooted in fundamentals. The Japanese market, in contrast, is driven by liquidity and its earnings multiples have been subjected to a progressive greenhouse effect in recent years.

If Japanese equities suddenly show the merest flicker of a possibility that they might return to the saner valuation basis that prevailed in the early 1980s, why should equities elsewhere depart from solid fundamentals in a downward direction? What is more, if western markets fail to slide in line with Tokyo the logic is potentially self-sustaining — and not just because foreign equities have obvious attractions for Japanese investors if their own currency and stock markets are collapsing. At a more basic level the overvaluation of the Tokyo market has reinforced Japan's comparative advantage by cheapening the cost of capital to Japanese industry and finance. If multiples in Japan are shrinking and yields becoming fatter, gaijin multiples might reasonably take a lurch in an equal and opposite direction.

The interesting domestic question now is how the uncharacteristic, though not unprecedented, public dogfight between the Ministry of Finance and the Bank of Japan will resolve itself. At first sight the inflationary prospect in Japan, which provides the justification for recent increases in the official discount rate, scarcely looks terrifying: consumer prices are forecast to rise by little more than 2 per cent next year. Yet there is undoubtedly an inflationary overhang in asset markets. The debate is about the extent of the threat.

In Britain asset price inflation leaks into the general price level mainly via an excess of home lending over net investment in housing; the process is known as equity withdrawal. It also operates through the labour market as workers respond to higher mortgage rates by demanding increased earnings.

Not so in Japan, where the post-war financial system was designed to channel low-cost savings to industry and commerce. Despite some modest steps towards financial deregulation, consumer finance remains underdeveloped and credit controls have helped divert monetary pressure into asset rather than goods markets. The wealth effect on consumer spending from the increase in the Japanese investors' collateral has been small by western standards.

It is the foreign exchange market that provides the mechanism for transforming asset price inflation into a more general rise in consumer prices. For with shares and property so obviously overvalued institutional investors have been pumping capital overseas far faster than Japanese industrialists have been piling up trade surpluses. The resulting weakness of the yen further enhances the return to Japanese investors in foreign currency. But it also raises the cost of imported goods, so adding to domestic inflation at a time when workers are complaining of low living standards in relation to Japan's economic superpower status.

Against that background any central banker could be expected to worry. Mr Yasushi Mieno of the Bank of Japan not only worries, but believes in grasping nettles. Or should one say bubbles? For he appears to have concluded that if he cannot stabilise the yen and procure domestic price stability without pricking the great Japanese share and property boom, then prick it he will. And so much the better. Let us hope that he pulls off the biggest correction compatible with the stability of the financial system.

LETTERS

The self-defeating values of corporate dinosaurs

From Mr Andrew Phillips.

Sir, Though I carry no flag for Labour policy, it would be a pity if Lord Hanson's "credo" (Letters, February 16) went uncommented upon. As is often the case between ideologists, he displays in his letter some of the characteristics he attacks in that of Marjorie Mowlam (Letters, February 20).

For example, having implied that the Drexel collapse is so "hugely complex" that it cannot properly be used to "construct a case for opposing takeovers," his riposte is a simplistic assertion that "virtually every impartial study on takeovers concludes that their effect is beneficial to the economy at large."

Shrewd as he is, perhaps it is the "virtually" that we should pay most attention to, plus the fact that he only comments in terms of impact on the economy, not the wider culture.

One could easily have said a mere two years ago, when Drexel was the most "successful" firm of its kind in the world and making over $1bn profit, that "virtually" every financial analyst reckoned it was the bees-knees. Indeed they did!

But Lord Hanson has a pat answer to that. Drexel was only one "reasonably large tree . . . in the capitalist forest," and it is in the "socialist model forest" that one finds that "the rotting timbers have fallen and nothing new grows in between."

Though Lord Hanson finds comfort in such polarities, many of us, while finding little attraction in pure socialist forestry, are hardly less concerned about some of the diffuse but real social and cultural depredations of Hanson/Hoylake-type arboriculture.

Apart from which, unabated capitalism is responsible both for much of the wanton destruction of the world's actual forest and the western world's over-consumption, which are having dramatic effects.

Thus, modern corporate dinosaurs too often exemplify values which are ultimately self-defeating for a society. Hyper-competitiveness, insatiability and cynicism are scarcely the stuff of the Sermon on the Mount. But, I can hear the earthly Lord saying, that really is old hat and wins no races.

What should give pause none the less is that, following the implosion of world communism, we may also be endangered by what one might call the bluehouse effect — a rampant, raucous, raunchy materialism constrained by no belief other than in free market forces.

Andrew Phillips,
Bates, Wells & Braithwaite,
61 Charterhouse Street, EC1

From Ms Marjorie Mowlam MP.

Sir, I enjoyed Lord Hanson's intemperate letter, if only because it provided an example of how a rational businessman can descend to political rant. It is clearly in line with his recent polemic in Business Today, announcing that the hour has come to stand up and be counted for Mrs Thatcher.

I would welcome a sensible discussion on takeover and merger policy with Lord Hanson. But to achieve that it is important that we start from facts rather than disinformation.

He argues that my motive in writing about the Drexel bankruptcy was "to construct a case for opposing takeovers." Nowhere can he draw that conclusion from my letter to the FT. In fact, had he read the Labour Party's policy statement on takeovers and mergers, he would be aware that the document opens by stating: "Mergers and takeovers are not necessarily anything to worry about in themselves. They may enhance the efficiency of individual firms and promote competition in the market place."

Lord Hanson's cheap jibe about my turning to the East for policy suggestions indicates the bias of his letter. I was actually applauding the more effective regulatory system in the US, which is as West as you can get.

Labour's recently launched document on mergers and takeovers was discussed extensively in the City and with industry. On a recent visit to West Germany, I found that the idea of open discussion and co-operation between politicians, business and finance is taken as the norm. It is sad that such well-intended debate between different partners cannot be held in this country — we would all benefit.

Marjorie Mowlam,
House of Commons,
Westminster, SW1

From Mr Malcolm Samuel.

Sir, Lord Hanson's assertion that "virtually every impartial study on takeovers concludes that their effect is beneficial to the economy at large . . ." flies in the face of the evidence that I have examined.

Perhaps Lord Hanson can provide the list which supports his claim. He might also like to explain the weak economic performance of the US and the UK relative to West Germany and Japan in the period since Hanson became a quoted company. Is it the case that stock market preoccupation with changes of ownership and money-making in the US and the UK hinders true wealth creation?

Hanson, itself, has been a highly successful money-making machine, to the benefit of its own management and shareholders, but a close scrutiny of its published accounts since the late 1960s does not reveal any genuine organic growth when sufficient evidence is available to construct linked indices. Growth is also low or non-existent between those few years when no acquisitions took place.

Yes, earnings per share growth has been sustained at high levels, but, on the back of relatively large incremental inputs of new equity capital at intervals of approximately five years. Incremental returns on new capital inputs are not high while returns on total assets employed do not point to any super efficiency. On other measures of efficiency, such as value added per employee and trading profits per employee before depreciation (the provision for depreciation being about half that for industrial companies generally in relative terms) Hanson's performance does not rate highly.

In a market preoccupied with short-term changes in earnings per share growth, it has not been difficult for Hanson to demonstrate superior share price performance to its victims — generally low-growth mature companies operating largely in the domestic market. In a less irrational environment superior efficiency would be accepted as a defence against predatory attacks but, so long as participants focus on short-term changes in earnings per share growth, a genuine revival in UK economic performance will be that much more difficult to achieve.

Industrialists who see "City" criteria impeding their efforts deserve widespread support in changing these criteria. Predatory growth has been far too easy to achieve to date.

Malcolm Samuel,
10 Greenwood Road,
Thames Ditton, Surrey

The Government's 'surly and grudging regard' for human capital

From Mr Peter Linacre.

Sir, The Secretary of State for Education, Mr John MacGregor, is the Nero of the modern British education system.

Has he, or anyone else in this Government, not noticed that those countries with the highest levels of state-provided education and vocational training — West Germany and Japan — are also the most successful economies?

Such knowledge would surely alter this administration's surly and grudging regard for the United Kingdom's most precious supply factor — human capital.

One is inevitably drawn to the conclusion that if our educational Nero is aware of these facts, which surely he must be, then this Government's lack of desire to improve matters arises from the fact that its members have such scant experience of the state educational sector. That is because none of them send their children to state schools.

Perhaps Mr MacGregor could furnish us with the exact details of where ministers' children are currently schooled — in case I wrongly malign him.

The simple and horrifying truth is that, whatever this Government's achievements during the past 10 years might have been, the principal reason for the UK's certain economic decline in relation to our competitors in the decades ahead is the appalling condition of our education system and our lamentably ill-equipped children and workers.

Peter Linacre,
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33 Sekforde Street, EC1

FINANCIAL TIMES
Thursday March 1 1990

US looks to Kaifu to seize 'last chance'

Tokyo must demonstrate its intention to open markets, writes **Robert Thomson**

WHEN Mr Toshiki Kaifu, the Japanese Prime Minister, arrives in Palm Springs, California, for a meeting with much of the US Administration tomorrow he will be expected to prove his faith in the Structural Impediments Initiative.

The recently re-elected Mr Kaifu reluctantly inherited SII from Mr Sousuke Uno, his disgraced predecessor, and US government officials have suggested that a lack of "political will" in Tokyo is undermining the programme, seen as Japan's last chance on trade before being left to the mercy of a hostile US Congress.

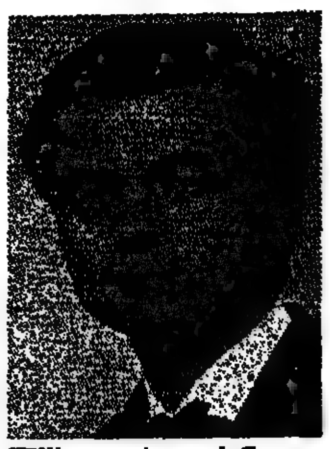
Japanese officials identify Mr Linn Williams, the Deputy US Trade Representative, as the most important individual in the US Administration's stance on SII, and Mr Williams's impressions of last week's SII meeting in Tokyo will influence the warmth of the US welcome for Mr Kaifu.

Before returning to Washington, Mr Williams, a household name in Japan and always photogenic in a broad-brimmed hat and burgundy bow-tie, said that progress in the SII talks had not matched US preconceptions, partly because of the month lost with the Japanese election. The Bush-Kaifu meeting is intended to push the process along.

"The major reason for a meeting on such an abbreviated schedule is the trade issue, and the sense of a lack of movement, based in some part on a lack of political guidance. That is a primary reason why President Bush wanted the meeting now instead of two months from now," Mr Williams said.

"We are not sure that the Japanese understand that there are going to be hard choices. There are going to be some choices between constituencies and us. In recent years, the time frame for getting things like this solved has become much shorter, and the price for delay is higher. I think that's a big part of the message that the president would like to discuss with Mr Kaifu."

US delegates to the SII talks, headed by Mr Williams, have argued for fundamental changes to Japan's distribution system and land use laws, a tightening of anti-monopoly laws, an increase in public works spending, and consideration of the impact of Japan's keiretsu, or corporate groupings, on imports.



Williams: strong influence within US Administration

A sign that SII has come to mean much in Washington was the comment in Tokyo last Friday by Mr Dick Cheney, the US Secretary of Defence, that "I cannot over-emphasise the importance of success" of the initiative.

Officials at Japanese ministries were surprised that a Defence Secretary entered the trade fray, although it was noted, ironically, that a recent and much publicised opinion poll suggests that the average US citizen now fears the Japanese economic threat more than the Soviet military threat.

An SII interim report is due to be released in early April, with a final document prepared in the summer, and while proposals have come slowly from the Japanese Government, Mr Williams said that ordinary Japanese had shown support for SII.

"I have had Japanese write me and say gambatte [good luck]. They say it is embarrassing that Americans have to come in and say what is rational and reasonable in Japan. I have not had any difficulty in explaining the reasonableness, for example, of the anti-monopoly points," he said.

"I don't think you will find a single Japanese who thinks this market is open. I don't think you will a find a single Japanese, not government, who thinks that procurement is really open to foreigners or who will say that companies do not collude. I don't have any doubt that the Japanese public understands this.

"But I think Japanese are apprehensive about the SII because it carries a high risk. They realise the validity of the points being made and they worry about the consequences if nothing happens. I think that is a legitimate worry, and I am afraid that I cannot take that worry away, but I can assure them that this is not an exercise in Japan-bashing."

Mr Williams worked at Japan's national broadcaster, NHK, and a Tokyo publishing house, Kodansha, 16 years ago as an editor, and then as a lawyer in Tokyo for two years until last March, so he has certain street credibility. However, a senior Japanese official who has worked with Mr Williams said that he sometimes had expectations that overlooked the difficulty of detail.

In a sense, Mr Williams sees himself as protecting Japanese interests by using the SII to ward off advocates in Washington of managed trade.

"The notion came clear to me in this job that Japan is perceived as a destabilising influence in the whole global trading pattern. Some of that is a wrong motivation, some of that comes from people afraid of Japanese competition. We don't like that, and we try to separate that out," he said.

"But a lot of it is the proposition that this is a protected market which is used as base for massive sorties into export markets."

Nomura threatens to sue US author

By Stefan Wagstyl in Tokyo

WHEN Liar's Poker, a fast-paced, slightly scurrilous book about Salomon Brothers, the US investment bank, was published last year, the company's staff were told to read it so they would understand their customers' wisecracks.

Nomura Securities, the mighty Japanese group, is taking a different approach to The House of Nomura, a 343-page history. It has started legal proceedings against the author, Mr Al Alletzhauser, a 30-year-old American stockbroker.

Nomura is threatening to sue Mr Alletzhauser and Bloomsbury Publishing, his British publisher, for libel. Nomura wants a retraction, payment of damages and a promise that the alleged libels will not be repeated. The company's solicitor, Linklaters & Paines, has sent letters to Mr Alletzhauser and Bloomsbury.

"There are so many false stories in the book," said Nomura yesterday.

It is thought Nomura objects most to passages which claim to describe behind-the-scenes activities on the Tokyo stock market.

Mr Alletzhauser promised to fight Nomura in the courts. He worked for several years as a stock salesman in Tokyo, researching the book in his spare time. He won permission from the Nomura family for access to archives and interviewed about 100 Nomura executives. He said the family had read the proofs before publication: "This book was never meant to be an anti-Nomura book."

Mr Alletzhauser said Nomura had turned against him suddenly. Two weeks ago a "peace offer" was discussed with the company, he says. Mr Alletzhauser said he was happy to correct any specific errors pointed out by Nomura.

Mr Alletzhauser and Bloomsbury have retained as their solicitor Mr David Hooper, of Biddle & Co, who defended Mr Peter Wright in the Spycatcher case.

Indian Congress Party loses five states

By David Housego in New Delhi

INDIA'S Congress Party was heading for a further big defeat last night as voting trends in state assembly elections closely mirrored the results of last November's general election.

Of eight states that went to the polls on Tuesday, Congress had lost control in five last night – Orissa, Rajasthan, Madhya Pradesh, Himachal Pradesh and Gujerat. The main gainers were the radical Hindu BJP rather than the Janata Dal Party of Mr V. P. Singh, the Prime Minister.

The results are a further blow for Mr Rajiv Gandhi, former Prime Minister and leader of the Nehru dynasty's party. The Congress defeat may lead to defections from Congress to Janata Dal and seems bound to reopen the question of Mr Gandhi's continuing leadership of the party – although the feeling last night was that he would be able to resist a challenge.

None the less, if the Congress loses control of all eight states that went to the polls, its power base would be crushed. It would have fewer than 200 seats in the parliament and retain power in only two of the country's leading states, Andhra Pradesh and Karnataka.

In the eastern state of Bihar, the largest in the union and the main weather-vane of opinion in the Hindi belt, Congress had improved on its November performance in the relatively small number of seats that had been counted last night. In Maharashtra in the west, the other major state from which results are awaited, counting does not begin until today. The eighth state voting was Arunachal Pradesh.

The main beneficiary of the continuing swing against the Congress Party is the BJP. After increasing its representation in the parliament from two to 88 in November, the party seemed on the way last night to forming governments in Madhya Pradesh, Rajasthan, and Himachal Pradesh and to sharing power with the Janata Dal in Gujerat.

Janata Dal was assured of a majority in the eastern state of Orissa and was likely to be the leading partner of a coalition in Gujerat. But the party needs to do well in Bihar to buttress itself in the north and to enhance the stability of the government it heads in Delhi.

In related developments, the Janata Dal's image was tarnished yesterday by continuing violence in Haryana, where Mr Om Parkash Chautala, the Chief Minister and son of the Deputy Prime Minister, Mr Devi Lal, was contesting a by-election. At least nine people were killed and 15 seriously injured during a second poll after Mr Chautala and his Janata Dal supporters had been accused of ballot rigging.

Mr Chautala, whose business interests have made him a figure of controversy, took over as Chief Minister when his father became Deputy Prime Minister. The election commission is awaiting the result of an investigation before deciding whether or not to order a new poll in the entire Meham constituency.

Counting was also delayed in Bihar because of widespread violence during Tuesday's poll. More than 80 people were killed in clashes with the police or involving rival factions. New polls were ordered in 620 districts.

Exxon faces $600m fines

Continued from Page 1

amount of the fines mentioned by the US Attorney-General."

Analysts are also unable yet to make a rough estimate of Exxon's civil liabilities. Separate from the cases, the company has already paid out $180m compensation to 13,000 claimants.

So far, Exxon has taken charges against its earnings totalling $1.68bn to cover the clean-up to date, legal fees and some anticipated costs. With the resumption of the clean-up this spring, its bills will start mounting again.

After the charge, Exxon reported net profits of $3.5bn last year. "People are afraid to take the courts too lightly," an oil analyst said. "We learned the mistake of that in a big way with Texaco."

Wall Street initially dismissed as frivolous Pennzoil's claims against the oil company for winning control of Getty Oil. But in the end a Texas court extracted a $10bn settlement from Texaco.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	[illegible]	[illegible]	Dubrovnik	S	13	55	Malta	S	[illegible]	[illegible]	Rhodes	C	18	64
Algiers	S	[illegible]	[illegible]	Edinburgh	R	2	[illegible]	Manchester	F	1	[illegible]	Rio de J'o	R	37	99
Amsterdam	R	[illegible]	46	Faro	S	16	61	Manila	F	[illegible]	[illegible]	Rome	S	17	63
Athens	C	[illegible]	[illegible]	Florence	S	[illegible]	[illegible]	Melbourne	Dr	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	41
Bahrain	S	[illegible]	[illegible]	Frankfurt	R	[illegible]	[illegible]	Mexico City	C	[illegible]	[illegible]	San Francisco	C	10	50
Bangkok	F	33	91	Funchal	C	17	63	Miami	C	[illegible]	[illegible]	Seoul	S	13	55
Barcelona	S	[illegible]	[illegible]	Geneva	R	[illegible]	[illegible]	Milan	S	15	[illegible]	Singapore	S	32	90
Beirut	–	–	–	Gibraltar	S	[illegible]	[illegible]	Montreal	S	-16	3	Stockholm	C	1	34
Belfast	Sn	1	34	Glasgow	C	3	37	Moscow	C	[illegible]	37	Strasbourg	R	7	[illegible]
Belgrade	F	[illegible]	[illegible]	Guernsey	R	11	52	Munich	C	4	[illegible]	Sydney	F	[illegible]	[illegible]
Berlin	C	[illegible]	[illegible]	Helsinki	Sn	-1	30	Nairobi	F	[illegible]	[illegible]	Taipei	R	[illegible]	[illegible]
Biarritz	C	15	59	H. Kong	C	14	57	Naples	S	[illegible]	[illegible]	Tangier	C	16	61
Bombay	F	25	77	Innsbruck	R	3	37	Nassau	F	25	77	Tel Aviv	F	[illegible]	[illegible]
Bordeaux	C	[illegible]	[illegible]	Inverness	F	[illegible]	[illegible]	New Delhi	C	[illegible]	[illegible]	Tenerife	S	[illegible]	[illegible]
Brussels	R	5	41	Islamabad	R	[illegible]	45	New York	S	1	34	Tokyo	S	10	50
Budapest	C	[illegible]	[illegible]	Istanbul	R	11	52	Nice	S	[illegible]	[illegible]	Toronto	C	-8	18
B. Aires	C	24	75	Jakarta	C	31	88	Nicosia	F	[illegible]	[illegible]	Tunis	S	[illegible]	[illegible]
Cairo	S	[illegible]	[illegible]	Jersey	C	11	52	Oporto	C	14	57	Valencia	S	[illegible]	[illegible]
Cape Town	S	[illegible]	77	Jo'burg	F	[illegible]	73	Oslo	F	5	[illegible]	Venice	S	15	59
Caracas	C	27	81	Lima	F	[illegible]	[illegible]	Paris	R	12	54	Vienna	R	[illegible]	[illegible]
Casablanca	C	16	61	Lisbon	S	16	61	Peking	S	7	45	Warsaw	F	[illegible]	[illegible]
Chicago	S	-8	18	London	R	[illegible]	[illegible]	Prague	F	5	41	Washington	S	[illegible]	[illegible]
Cologne	C	7	45	Los Angeles	C	12	54	Reykjavik	S	[illegible]	[illegible]	Zurich	R	4	[illegible]
Copenhagen	R	5	41	Luxembourg	R	4	39								
Corfu	S	[illegible]	[illegible]	Madrid	S	[illegible]	[illegible]								
Dallas	R	[illegible]	[illegible]	Majorca	S	[illegible]	[illegible]								
Dublin	R	5	41	Malaga	S	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Philips plans shake-up

Continued from Page 1

on October 1 is Mr Frans Otten, a grandson of a Philips co-founder and executive vice president as well as a member of the management board and group management committee. When he departs it will be the first time in Philips' history that no family member graces the board.

An apparent power struggle has ended with Mr Henk Appelo, 59, a group management committee member, rising to the management board in charge of finances. As a result Mr Henk Goris, 57, another management committee member and group director of finance, is leaving the company. Leaving the management board on July 1 will be Mr Gerrit Jeelof, 62, while Mr Ype Bouwkamp, 55, now head of Philips' lighting division will join on October 1. Mr S.C. Tumminello will take over as head of North American Philips on June 1.

UK imports rise sharply

Continued from Page 1

exceptional factors.

The FT-SE 100 index fluctuated narrowly over the day to close just 0.6 points higher at 2,255.4.

Sterling advanced against both the D-Mark and the dollar on the belief that the trade figures would mean no early easing of interest rates, with the Bank of England's trade weighted sterling index closing at 89.9, up 0.3.

Developments on the domestic money market justified sterling's rise.

Short term interest rates firmed, with the three months interbank rate gaining 1/16 of a percentage point to 15 1/16-15⅛ per cent.

However, prices for Government gilt edged securities fell sharply, helping to push yields at the long end of the market up to around 11.35 per cent, a level last seen in January 1985. The gloom on the Gilt Edged market was compounded by further sharp falls on the West German bond market.

The figures attracted a scornful response from the opposition Labour party. Mr Gordon Brown, the trade and industry spokesman, said they were "disastrous" and put Britain "now bottom of the European league."

British power generators may buy gas from Norway

By Maurice Samuelson in London

THE BRITISH electricity industry is considering importing large quantities of Norwegian gas to supplement coal as its main generating fuel.

National Power, one of the two private companies to be carved from the Central Electricity Generating Board, has been in contact with Statoil, the Norwegian State oil company, and other oil companies operating in the Norwegian sector of the North Sea.

Talks have focused on long-term prospects for developing large reserves of gas fields for power generation in the UK.

PowerGen, National Power's sister company, and other independent would-be electricity producers, are also reported to have been in touch with Norwegian companies.

News of the contacts broke as Mr John Wakeham, Energy Secretary, announced that National Power and PowerGen, inheritors of the CEGB's coal and oil fired power stations, would be sold on the same day next February. He did not give the exact date.

The 12 distribution companies of England and Wales had already been earmarked for sale in November 1990. On Tuesday, it was announced that the two Scottish power companies would complete the sale in May or June 1991 rather than be sold first as originally expected.

National Power and PowerGen are expected to raise between £4bn and £5bn ($6.76bn and $8.45bn) and the 12 distribution companies about £6bn.

The big two generators and a number of independents have so far tabled proposals for about 5,000MW of gas-fired electricity which could come on stream by about 1997.

But National Power said yesterday that if gas prices proved favourable there could be substantially more in the long run. It would displace smaller, older and less efficient coal-fired capacity, but not the large, round-the-clock power stations.

"The British electricity industry will be Europe's biggest market for natural gas," he predicted. Coal, meanwhile, was "in danger of becoming obsolete" because of its environmental disadvantages, he said.

Mr Wakeham's announcement about the flotation timetable is his latest step to ensure that the entire electricity industry will be sold before the next UK general election. The Government had previously considered selling the generators on separate dates.

Since neither company wanted to follow the other, both will welcome Mr Wakeham's decision.

A generating industry official said last night the simultaneous sale should have a stronger impact especially on overseas investors.

The case for a joint sale was strengthened by last October's decision to exclude the nuclear stations from the sale, instead of assigning them all with National Power.

As a result, National Power and PowerGen are similar companies, accounting for about 50 and 30 per cent of national generating capacity respectively. Nuclear power accounts for most of the remainder.

THE LEX COLUMN

Cadbury brands itself a rebel

Cadbury Schweppes's defiance of the proposed rules on brand accounting ensures the issue will be the first big test of the new system of accounting standards due later this year. Not only will Cadbury almost double its shareholders' funds with over £300m of purchased goodwill. It also has its auditors' agreement that even if the proposed Accounting Standard goes through, it can ignore the instruction to amortise those brands provided it makes the fact clear in the accounts.

This is pretty much the tactic used by companies a decade ago to destroy current cost accounting. Under the new Dearing system, such rebellion should no longer be possible. Any accounting standard passed after August 1 – and this one cannot be passed before – will be policed by the new Review Panel, which can take cases of non-compliance to court on grounds of being inconsistent with a true and fair view. The proposed standards on brands and goodwill seem so widely unpopular that the new Standards Board may not choose to go along with them. But if it does, it had better make them stick.

It is not quite clear what has prompted Cadbury into such a public stand. By doubling shareholders' funds it also doubles the size of deal it can do without shareholder approval, which is obviously useful with General Cinema sitting on a 16.8 per cent stake. But it is not obvious what it means to buy, unless it simply thinks the re-shaping of the world confectionery and soft drinks industries has put loose assets on the market.

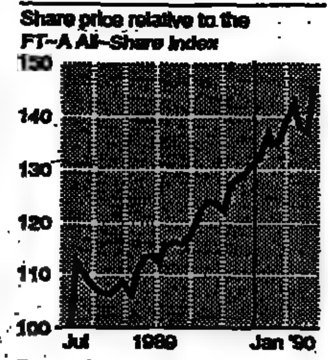
Composite Insurers

Identifying immediate causes for yesterday's 4 per cent fall in General Accident's share price is easy enough. Even before the toll of UK storm losses, the underwriting cycle was in a dangerous phase, with US premium rates showing few signs of turning up significantly in 1990 and the UK non-life sector embroiled in its own price war. And with capital markets now moving against the composites, the scope for equity portfolios to help out is much reduced. The last things the market wanted were GA's dreadful fourth quarter results in its UK motor portfolio and its less than hoped for 18.6 per cent dividend increase.

Yet to a large extent the halving of GA's pre-tax profits to £147m only confirmed trends which the market knew all about. The reserve-bolstering which GA is doing against out-

Abbey National

Share price relative to the FT-A All-Share Index



sized UKbodily injury motor claims only confirms data Commercial Union picked up a year ago. Investors have simply chosen to forget the fundamentals since July, with the composite sector having steeply outperformed the FTA-Allshare on the strength of Hoylake's bid for BAT and Sun Alliance's stake in CU.

Perhaps more interesting were CU's own results and what they show about how the sector's tables have turned since CU's dark days of 1984. With solvency now at 68 per cent, before counting perhaps more than £1bn of shareholder value locked up in its life business, CU is close to GA in financial strength and far ahead of Royal. CU's life assurance-biased earnings now look distinctly better quality, too.

New issues

Privatisations aside, the keen stag has been distinctly short of promising new issues over the last two years. Those few companies to have attempted an offer have often found their issues sabotaged by stock market volatility, as Hays did last autumn. So the Stock Exchange's review of new issue rules seems timely. The £15m upper limit on placings has for some time seemed ridiculously low, considering the costs and the risks involved in an offer for sale. Perhaps the Exchange has been held back by the feeling that the greater the number of placings, the greater the suspicion of the private investor that the best issues are being saved for the City's chosen few.

The proposed hybrid of placing and offer for issues over £20m should preserve the scope for playing off private and institutional investors that ensures a successful issue. It will also reduce underwriting costs, although investors have in the past been rightly suspicious of US companies listing in London solely on grounds of cheapness and weaker regulatory requirements. And if it encourages more companies to raise finance on the Stock Exchange, which after all is supposed to be that institution's raison d'être, so much the better.

Abbey National

Abbey may be a bank in name, but its business is still that of a building society. There are no Third World or UK corporate bad debts to worry about. For all the fears about mortgage arrears, house-backed lending remains one of the safest forms of finance known to man. But it is hard to cross-sell financial products when mortgage demand is subdued.

As shown by yesterday's £501m of full year pre-tax profits, Abbey has performed pretty well in the circumstances. It has increased its share of the mortgage market and has carefully controlled costs. Stripping out the effect of the flotation proceeds and the gilts losses, margins were sustained despite the pressure on savings flows that forced last month's interest rate increase. But until the housing market recovers and until Abbey shows that it can spend its money more wisely than TSB, it is hard to see the shares outperforming.

Markets

Though the January trade figures were less bad than they looked at first, the market's unruffled response was slightly surprising. Exports seem to be holding up pretty well after a run of freakishly good figures. But imports in the past three months are still 2 per cent up on a year ago, with a bias towards consumer items like food and drink which suggests that both destocking and the consumer downturn are less advanced than the market thinks. The total deficit this year may still be around £15bn, which ought to be the last blow to hopes of lower base rates.

With so much to worry about abroad, it is perhaps natural that the UK market has little time for minor upsets at home. But taken with the Tory decline in the polls, the economic background hardly looks the stuff of a market recovery should the West German and Japanese markets happen to take a breather.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday March 1 1990

INSIDE

Netherlands invoke the spirit of change

The spirit of glasnost is moving farther afield. The Netherlands, where companies are armed to the teeth with some of the toughest anti-takeover defences in the EC, is chipping away the barriers by bringing its merger code more into line with Community practices. Revisions in the corporate merger code will take effect today, reports Laura Raun. Page 19

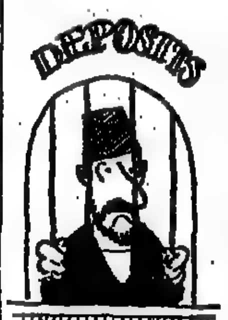
Mystery of the vanishing ore

Seasoned observers can't remember a more embarrassing episode for a leading mining company than what has become known as Echo Bay's vanishing orebody. After sounding fanfares about a big discovery at its Cove project in Nevada, the North American gold mining group now says, "Sorry, folks, we made a little mistake and there is much less gold down there than we thought." Kenneth Gooding analyses what went wrong. Page 28

A return to glory?

Mr Wilfried Hübscher, the new chief executive of the Berlin stock exchange, hopes recent political moves towards unity will give the city, the financial capital of pre-war Germany, an uplift. The flotation of viable parts of state-owned industry groups and the listing of joint ventures and participation funds should increase Berlin's attractiveness to foreign investors. Page 40

Courtroom drama unfolds



The curtains were raised this week on what promises to be a first-rate courtroom drama. Mr Ahmed Tawfik Abdel-Fattah, chairman of the Rayan Islamic investment company, along with several business associates, faces life in jail if convicted on charges of defrauding Egyptian investors of E£1.9bn ($730m). Tony Walker reports on the sorry story of Egypt's unruly deposit-taking sector. Page 18

Divided fortunes in banking

Amsterdam-Rotterdam Bank, the second-largest commercial bank in the Netherlands, increased 1989 earnings by nearly 45 per cent to Fl 849m ($447m). However, extraordinary gains of Fl 128m resulted from the halving of Amro's 10 per cent indirect stake in Générale de Banque of Belgium. Générale, which announced results in tandem with Amro, did not do so well; record provisions for sovereign risks cut 1989 profits by two-thirds to BFr2.6bn ($74m). Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
BASF	306	+	2.9
BHF	418	+	3
Bayer	303.2	+	5.1
Hoechst	310.5	+	5.5
Falls			
Deutsche Bk	763	–	3.5
Volkswagen	554	–	3

NEW YORK ($)

Rises			
Amer Express	29⅛	+	1
Boeing	[illegible]	+	2¼
Ingersoll-Rand	54¾	+	⅝
Shearson Lehman	12⅝	+	¾
Union Carbide	24⅛	+	⅜
Falls			
Exxon	47⅛	–	1⅛

PARIS (FFr)

Rises			
BIP	950	+	49.4
Essilor Adp	1200	+	63.1
SGE	234	+	12.3
Falls			
CMB Packaging	163.3	–	7
Codetel	177.5	–	9.9
Europe No1	1216	–	34

TOKYO (Yen)

Rises			
Aica Kogyo	1880	+	200
Chuo Build Ind	1620	+	200
Kosugi Sangyo	1550	+	200
Nichireki Chem	1540	+	190
Riken Vinyl Ind	1540	+	200
Yushiro Chem	2180	+	280

LONDON (Pence)

Rises			
ADT	189	+	3
AMI Health	375	+	4
Abbey National	189	+	4
BAA	394	+	5
Brit Aerospace	504	+	3
Guinness	651	+	12
Rossman (W)	535	+	10
Stanhope Prop	133	+	8
TVS Ent	108	+	10
Tops Ests	163	+	10
Williams Hldgs	248	+	4
Falls			
Amersham Intl	302	–	32
FKB	185	–	14
GRE	230	–	7
Gen Accident	1065	–	40
Leg & General	376	–	7
Leigh Ints	345	–	17
Nth West Water	161	–	8
Sun Alliance	391	–	11
Yellowhammer	33	–	10

Bass to put Crest hotel chain on market

By Philip Rawstorne

BASS, Britain's leading brewer, is selling its Crest chain of 47 hotels in Britain and the Netherlands to concentrate resources on the worldwide development of the recently acquired Holiday Inns business.

City of London estimates suggest the sale, to be handled by J. Schroeder Wagg, could raise between £350m ($588m) and £450m. Bass was "not prepared to put a figure on it at the moment." One City analyst, whose estimate was at the lower end of the range, commented: "There are a lot of hotels on the market at present, but Crest is a well-known name and the chain could stand alone."

Rival brewer, Allied-Lyons, put its 43 Embassy hotels up for sale for an estimated £275m to £300m in December but no buyer has yet been announced.

The Crest chain, mainly in the four-star category and catering primarily for the business market, is expected to make operating profits of £25m this year.

Bass is inviting offers for 43 hotels in the UK and four in the Netherlands, with a total of 5,100 rooms. But it is keeping four of the bigger Crest hotels in the UK – at Gatwick, Maidenhead, Edinburgh and Leeds – and four others in Amsterdam, Antwerp, Florence and Bologna, for conversion to Holiday Inns. Another seven hotels, under development or managed by Crest, are expected to be transferred to Holiday Inns.

Mr Ian Prosser, chairman of Bass, said yesterday: "We are determined to develop and expand the Holiday Inn name around the world by profitable investment in owned, managed and franchised hotels.

"Our future hotel development strategy will be totally focused on the expansion of the Holiday Inn brand."

The decision to dispose of Crest slightly surprised the City. Bass had been expected to sell some of its wines and spirits brands to reduce its borrowings after the £1.8bn acquisition of Holiday Inns in North America, which was completed in January.

Current gearing is around 70 per cent and the company's interest charges are expected to rise substantially this year to around £154m.

The purchase of the Holiday Inns in North America – covering 1,389 hotels with 266,000 rooms – completed a step-by-step takeover of the brand that began in May, 1987 with the purchase of eight Holiday Inns in the UK and Europe for £88m, and made Bass the biggest hotel operator in the world.

Holiday Inns International was bought in September, 1987 for £290m; and a further 32 hotels were acquired in Canada for £142m in March, 1989.

Bass, which made pre-tax profits of £529m last year, raised £45m from the sale of 11 Spanish hotels in September, and sold its Villa Magna luxury hotel in Madrid for £50m in December.

Chairman Ian Prosser

VW plans DM1.4bn rights issue

By Andrew Fisher in Frankfurt

VOLKSWAGEN, the West German car company, yesterday said it was planning a rights issue which analysts said could raise up to DM1.4bn ($875m). It will be used mainly to help finance its ambitious plans in East Germany.

The company itself gave no price or date for the issue, but said the money would support its worldwide investment programme. This also includes heavy spending on its plants in Spain, where it owns the Seat car producer. The 3m new voting shares will be issued on a one-for-10 basis to holders of both voting and preference stock.

VW said it also wanted to widen the international spread of its shareholders. As well as the three big German banks – Dresdner Bank (which will lead the issue), Deutsche Bank and Commerzbank – Goldman Sachs International, the US investment house, will be involved in the issuing consortium.

The capital increase comes as VW is about to report record profits and at a time when the West German stock market has reacted sharply to the prospects for increased business with East Germany now that the border has been opened. Mr Carl Hahn, chief executive of VW, has spoken with enthusiasm about the outlook in the whole of eastern Europe.

"Mr Hahn has a fierce commitment to investment in East Germany, as he was born there," said Mr Alexander Magona, an analyst with Paribas Capital Markets in London. He also expected VW to increase its dividend. VW said the new shares would be entitled to dividend payments from the start of this year.

VW has indicated that group net income exceeded DM1bn last year, a rise of 30 per cent on the DM780m earned in the previous year. Mr Philip Ayton, motor industry analyst with Barclays de Zoete Wedd, the London stockbroker, said he was estimating earnings per share of DM60 against DM46 in 1988. He and other analysts estimated that the new voting shares would be issued at between DM400 and DM450, which compares with yesterday's closing level of DM540.

VW, based at Wolfsburg near the border with East Germany, already has a joint engine deal with its neighbour. It has also agreed to develop a new vehicle for the market there and for export.

French sue DG Bank over 'breach of securities'

By George Graham in Paris

FRENCH BANKS have instructed their lawyers to file suit against Deutsche Genossenschaftsbank (DG Bank) in their row over DM6bn ($3.6bn) of contested securities transactions.

However, the French banks do not expect to have the suit ready before March 7 or 8 and are pressing DG Bank to use the intervening week to reverse its refusal to pay up on the transactions.

They have told their lawyers to answer any questions DG Bank may put during this period.

"We hope this breathing space will give DG Bank the time to put its accounts and its ideas in order," said a senior French banker.

The banks involved include some of the leading financial institutions in France, such as Banque Nationale de Paris (BNP), the largest state-owned bank; the Caisse des Dépôts, the giant state financing organisation; Crédit du Nord, the retail banking subsidiary of Paribas; and Sogenal, the Alsatian offshoot of Société Générale.

The reaction in France to DG Bank's decision to dispute the transactions has been one of universal outrage. The French banking authorities have shown strong support for the banks involved.

"I am astonished by the behaviour of DG's management and board. It is incomprehensible that a major bank should behave in this way," said one senior banker.

French banks, including many not directly involved in the dispute, have reduced their exposure to DG Bank in their financial market dealings and banks in other countries have been examining the West German bank's credit lines closely.

The dispute centres on two types of transactions involving the sale and repurchase of securities for which, according to the French banks, DG Bank is refusing to honour the repurchase agreement.

Senior banking officials said yesterday that neither type of transaction corresponded to the "réméré," a form of repurchase agreement widely used in the French market in which the repurchase is theoretically optional, although market practice is for it always to be carried out.

Katharine Campbell writes from Frankfurt: The press spokesman for DG yesterday reacted sharply to the news that the French banks might sue. "If they can prove a liability on our part they will not have to sue, because we will pay. But if they cannot prove it, suing will not help," he said.

The West German Federal Banking Supervisory Office announced yesterday that it was to launch an inquiry into the way DG Bank conducted its repurchase deals.

Background, Page 20

Gardini moves to avoid row over Enimont

By John Wyles in Milan

MR RAUL Gardini, president of Ferruzzi-Montedison, yesterday signalled his readiness to draw back from a full-scale confrontation with the Italian Government over the ownership and control of Enimont, the chemicals joint venture between Montedison and Eni, the state energy group.

In a carefully-crafted statement which included a proposal for a L10,000bn ($8bn) capital increase for Enimont, Montedison's lawyer made a fresh call for a negotiated agreement hours after the resignation, late on Tuesday evening, of Mr Lorenzo Necci as president of the chemical venture. Mr Necci, an Eni appointee, will remain on the board.

This was judged to be sufficient cause to grant an Eni request that yesterday's ordinary meeting of Enimont shareholders be adjourned for three days.

The meeting had been expected to approve the appointment to the Enimont board of two new directors, sympathetic to Mr Gardini, who would represent the 20 per cent of the company's capital floated last autumn. The majority stake is equally divided between Eni and Montedison.

Lorenzo Necci: resigned as Enimont president but stays on the board

Mr Necci's resignation was accepted by the chairman of yesterday's assembly, Mr Sergio Cragnotti, whom Mr Gardini appointed as Enimont's managing director more than a year ago, as an "important fact" which needed to be digested before the assembly met.

Senior managers in both Eni and Montedison now expect a flurry of contacts between the two companies and with government ministers in a renewed search for an agreement. The discussion will inevitably focus on the capital increase proposal as the basis for a compromise.

Since neither Eni nor Montedison wants to sell its stake, a capital increase could be a means of perpetuating the current shareholding balance while conceding Mr Gardini's demands on Enimont's future industrial strategy.

It is thought that Mr Gardini would underwrite about L4,000bn of the capital increase by putting Himont, Montedison's US polypropylene subsidiary, into Enimont. This would provide the basis for moving the joint venture into higher added value products which is where Mr Gardini insists it should be.

Given the Government's insistence that the public sector must maintain its stake in Enimont, Eni would have little problem in securing political approval and financial support for underwriting its L4,000bn share, leaving L2,000bn for possible placement in third-party hands.

Top UK insurers hit by bad weather

By Patrick Cockburn in London

COMMERCIAL Union and General Accident, the UK composite insurance companies, both announced sharply reduced pre-tax profits in 1989. They blamed bad weather and the effect of heavy competition on their property-casualty business.

Results from Commercial Union (CU) were a little better than expected, but the dividend increase of 13.6 per cent from General Accident (GA) was less than the market had hoped for and its share price fell 40p from 1105p to 1065p.

The share prices of other composites also suffered in the light of the poor trading results, diminished expectations of bid interest from abroad and continuing low premiums for non-life business.

At CU pre-tax profits fell by 25 per cent to £150.5m ($253m), while at GA they were down even more sharply at £147m compared with £294m last time.

CU, the object of frequent bid speculation in the past, announced for the first time that independent consulting actuaries had valued the life-insurance side of the company's business at more than £1.5bn. The company said investors often underestimated the strength and stability of its life business.

Both companies were hit by catastrophe claims in the US. GA lost £74m due to damage from Hurricane Hugo. CU said that and other exceptional US weather losses had cost £89m.

Speaking of the storms and floods in the UK over the last two months, Mr Scott Robertson, chief general manager, said that GA's gross claims might be in the order of £60m to £70m for the storm on January 25, but that it was reinsured for all losses above £15m. CU put the cost of the UK and continental European windstorms at £40m.

Mr Peter Ward, CU general manager responsible for UK operations, said the January storms were more costly than the 1987 hurricane but said it was too early to predict final costs.

The surprising element in GA's fourth quarter was the fall in its motor account, which recorded a loss of £16m. Mr Robertson said that this was due to an increase in expensive claims.

The poor trading results from the composites come as expectations of a bid from Europe, which buoyed up share prices in recent months, have begun to evaporate. Both UAP, the leading French insurer, and Axa-Midi have denied that they plan further acquisitions in the UK.

Lex, Page 16

Cadbury defies ASC's proposals on brands

By David Waller

FINANCE directors of leading UK companies yesterday claimed an early victory in their battle with the Accounting Standards Committee over accounting for goodwill and brands after Cadbury Schweppes, the drinks and chocolate group, declared it is putting brands worth $518.8m on its balance sheet.

Cadbury, which yesterday announced 1989 pre-tax profits up 16 per cent to $424.2m, said that it had no plans to follow the ASC's draft proposals and write off the value of the brands against profits. It said that the accounting treatment was endorsed by its auditors, Coopers & Lybrand Deloitte.

Mr Neville Bain, Cadbury's finance director, argued that it made no sense to write down the value of an intangible asset, the value of which would hopefully be increased by expenditure on advertising and marketing. If the accounting proposal ever became a fully-fledged standard, the company would be able to live with a note in the accounts saying how and why it did not comply, Mr Bain said.

Cadbury's move reflects a growing belief among finance directors that the ASC's controversial proposals are unlikely to be adopted in their present form. Moreover, observers said that Cadbury decision to defy the draft rules actually increased the likelihood that the proposals would have to be redrafted by the new standards regime which comes in this summer under Sir Ron Dearing.

Mr Graham Stacy, technical partner at Price Waterhouse, said yesterday: "The ASC will have to think pretty carefully before going any further now that a major company has ignored the technical release.

"It would make a mockery of the consultative process if the ASC ignored the groundswell of opposition to the proposals in both the industry and the accountancy profession."

Lex, Page 16; Details, Page 22

Bond wins back brewing empire

By Chris Sherwell in Sydney

MR ALAN BOND, the Australian businessman under pressure from creditors and regulators, had a dramatic reversal of fortune yesterday when receivers were unexpectedly ordered to relinquish control of his brewing empire.

The order handing the reins back to his flagship Bond Corporation came from the full bench of the Supreme Court of Victoria and overturned a controversial decision made on December 29 and confirmed on February 9.

Bond Brewing Holdings, a wholly-owned subsidiary of Bond Corporation and brewer of Swan, Castlemaine XXXX and Tooheys beers, appealed against the decisions and learned the outcome yesterday at the conclusion of five days of hearings.

Apart from giving Mr Bond an important psychological boost, the pronouncement has implications for other cases before the court brought by US noteholders, whose payments were held up because of the receivers' appointment.

It may also revive long-standing plans by the parent Bond Corporation to sell off its brewing interests through Bell Resources, its 58 per cent-owned subsidiary, which on Tuesday announced a massive A$862m (US$668m) interim loss.

The two sides to the legal battle were yesterday understood to have given separate undertakings to the court. The banks, which are led by the National Australia Bank and are owed A$880m, indicated that they would not move against Bond Brewing again without adequate prior notice.

Terry Hall in Wellington writes: Before the Victoria Supreme Court order was announced, Mr Douglas Meyers, Lion Nathan managing director, said his company was close to agreement with Bell Resources on a joint venture to buy the brewing assets of Bond Corp, Bell's parent.

An agreement would avoid a legal fight over who had priority rights to buy the breweries, he said.

Shearson confirms loss of 2,000 jobs to save $400m

By Janet Bush in New York

SHEARSON Lehman Hutton, the struggling Wall Street brokerage backed by American Express, confirmed yesterday it will reduce its workforce by around 2,000 during the next month in a cost-cutting plan designed to achieve annual savings of some $400m.

Mr Howard Clark, the former chief financial officer at American Express who replaced Mr Peter Cohen as chief executive of Shearson a month ago, detailed the company's plans in a letter to employees circulated yesterday morning.

He said the immediate plan to cut costs and a far-reaching strategic review would entail significant charges which would have a negative impact on first-quarter results.

The infusion of another $750m in fresh capital from American Express announced late on Monday, which took the total recapitalisation of Shearson first announced in December to $1.35bn, gave the brokerage the financial flexibility to undertake this comprehensive review, Mr Clark said.

American Express's stake in Shearson now rises to more than 70 per cent from 61 per cent. The two companies hope this week's news of an expanded capital injection, a strategic review and cost-cutting will bolster investor confidence in the brokerage.

Mr Clark said yesterday the major credit rating agencies had responded positively to these steps and reaffirmed Shearson's credit ratings.

The cost reduction plan was initiated by Mr Clark and a team of senior executives, in close consultation with American Express, on the day he took over at Shearson on January 30.

The strategic review will be undertaken by Shearson staff and outside consultants and "will examine the entire enterprise from the ground up."

Mr Clark, with a reputation from his time at American Express as a conservative and competent numbers man, said the mandate was broad.

The strategic review could lead to scaling down certain businesses or getting out of them altogether, entering strategic partnerships in certain markets or concentrating on particular market niches.

He added that Shearson was committed to maintaining its leadership positions in individual investor services, investment banking, capital markets and asset management. However, even core businesses will be examined closely to ensure that the company focuses on areas with the greatest profit potential.

Chief quits Pearson newspaper subsidiary

By George Graham in Paris

MR ALAIN Sourisseau has resigned as chief executive of Les Echos, the French financial newspaper taken over in 1988 by Pearson, the UK publishing and leisure conglomerate, which also owns the Financial Times.

Les Echos said yesterday that he had left to "devote himself to a personal project," but Mr Sourisseau said his departure was caused by a "profound disagreement with the group's shareholder." He said he had been sacked "in particularly vexatious and abusive conditions."

Les Echos said it was unaware of any disagreement between Mr Sourisseau and Pearson, which has intervened only modestly in the management of the French newspaper.

A year ago, Mrs Jacqueline Beytout, the former owner of Les Echos, resigned the chairmanship of the company, also citing "a profound disagreement over the way to manage Les Echos."

Since then, the chairmanship has been held by Mr Frank Barlow, now Pearson group managing director. He originally said that a French chairman would be found within six months, but has extended his presidency for a further year until his successor becomes available.

Les Echos said that Mr Gilles Brochen, formerly deputy chief executive, had been named to replace Mr Sourisseau.

CONTRASTING RESULTS FROM THREE EUROPEAN BANKS

Risk cover hits Générale de Banque

By Tim Dickson in Brussels

RECORD provisions for sovereign risks have cut a swathe through 1989 profits at Générale de Banque, Belgium's biggest bank, it was disclosed yesterday.

Mr Paul Emmanuel Janssen, chairman, said the decision to provide full 100 per cent cover for loans in 44 developing countries specified by Belgium's bank regulators, was behind the two thirds drop in consolidated net profits from BFr7.5bn ($213.7m) in 1988 to BFr2.6bn last year.

He explained that BFr8bn of general provisions beyond the "usual allocations" had been made because of the "realisation that the majority of the countries in question continue to face problems with servicing their foreign debt."

The basic difficulty, he added, "is more one of solvency than liquidity, despite seven years of uninterrupted economic growth in the industrial countries."

Générale de Banque's willingness to take it on the chin at this stage was prompted in part by the recent shift in provisioning policy by leading British and American banks and in part by the onset of new domestic challenges for the Belgian banks.

As Mr Janssen said yesterday profits have been hit by an inverted yield curve at home and abroad and by recent deregulation in Belgium, which has started to "make itself felt particularly as regards the liabilities side of the balance sheet."

Competition for deposits from the country's smaller banks has been growing in recent months, and can only intensify from today when the Government's decision to reduce the level of withholding tax on bank and bond interest comes into effect.

Despite the challenges – and its recently announced plans to shed several hundred employees – the bank said yesterday that it intends to maintain the dividend payout.

This involves a net transfer of BFr3.8bn from consolidated own funds (BFr77.9bn at 31 December). Although the bank has taken measures to comply with the 7 per cent risk asset ratio scheduled to come into force in 1990 under the Cook committee guidelines, other action will be needed to hit the 8 per cent target which comes into effect in 1992.

Mr Janssen was at pains yesterday to underline the basic soundness of the bank.

Without the additional provisions, net profits would have been 42 per cent higher, the bank was confident that some of the provisions would ultimately be written back, and the rest of the loan portfolio was "sound".

In a clear reference to another Belgian institution which has been exposed to high risk across the Atlantic, he observed: "We have no loans outstanding to borrowers who have made international headlines in the field of highly leveraged transactions or any other area."

The bank's balance sheet total rose by 4.5 per cent to BFr2,436bn, with customer deposits showing a 7.6 per cent increase to BFr1,421bn.

Bigger payout as Amro profits soar 45%

By Laura Raun in Amsterdam

AMSTERDAM-Rotterdam Bank, the second largest commercial bank in the Netherlands, saw its 1989 earnings soar by nearly 45 per cent on income that outpaced expenses and extraordinary gains.

Reflecting the robust performance Amro boosted its annual dividend by almost 8 per cent to Fl 5.60 ($2.95) a share.

Net income jumped to Fl 849m in 1989 from Fl 587m in 1988 although per-share earnings rose much less, by about 12 per cent to Fl 11.90 from Fl 10.63.

Extraordinary gains of Fl 128m resulted from the partial unravelling of Amro's alliance with Générale de Banque of Belgium.

Amro halved its 10 per cent indirect stake in Générale, selling the 5 per cent for a book profit of Fl 128m, and converting the rest into a direct 5 per cent holding. Without the extraordinary gain, Amro's net profit would have climbed about 23 per cent to Fl 721m.

Mr Roelof Nelissen, chairman of Amro, called 1989 a "successful" year, but he was extremely cautious about prospects for this year.

"The current very considerable uncertainties in the various markets (interest rates, foreign currency exchange rates, stock exchanges) prevent Amro from making any pronouncements at this stage on the financial results for the current year," he said yesterday.

Despite the uncertainties, he said Amro was more likely to accelerate expansion abroad than to slow it down, following a period of fairly rapid growth overseas. Possible target areas include Eastern Europe, where a representative office in Budapest recently was set up, and Canada.

Total income rose about 5 per cent to Fl 4.17bn in 1989, fuelled by a surge in commission income. Total expenses edged up only 2 per cent to Fl 2.6bn as salaries and social benefits were kept under control. The balance sheet total grew to Fl 180bn at December 31, 1989, from Fl 168 a year earlier.

Usinor Sacilor in talks with Mannesmann

By George Graham

USINOR Sacilor, the French state-owned steel group, is in discussions with Mannesmann Röhrenwerke, the leading West German steel tube and pipe producer on possible industrial and commercial co-operation in the large pipe sector.

The market for pipes of over 16 inches diameter is at the moment weak, with short-time working in some plants.

Two of Usinor's pipe plants are in West Germany at its Bergrohr subsidiary, near Mannesmann's Mülheim plant. The other three Usinor pipe plants, belonging to its GTS Industries subsidiary, are in France.

Grupo Tudor to buy 50% stake in Neste Battery

By Enrique Tessieri in Helsinki

NESTE, the Finnish state-owned oil and chemicals group, plans to sell 50 per cent of its battery division to S.E. Del Acumulador Tudor (Grupo Tudor) of Spain, one of Europe's leading battery companies.

Mr Tapio Harra, president of Neste's battery division, said he thought both companies would sign a final agreement "by possibly next week."

Neste Battery is a leading Scandinavian producer of industrial and starter batteries with net sales reaching FM436m ($109.8m) in 1989.

Analysts believe Neste wants to concentrate on its traditional activities, which include oil trading, refining, chemicals and gas.

Group net sales for the company, Finland's largest, reached FM34.7bn.

Mr Harra said that the sale of 50 per cent of its battery business to Grupo Tudor "would help to increase [the division's] competitiveness, volume and address the challenges of 1992 and the 1990s."

Grupo Tudor's net sales for last year reached $500m.

The deal is expected to give Neste Battery and Grupo Tudor secure footholds in their market areas, including western Europe and Scandinavia.

Bosch and Intel in joint venture

THE West German electronics group Robert Bosch said yesterday it has agreed to develop 16-bit microcontrollers with Intel of the US, AP-DJ reports.

The agreement broadens the companies' existing business links, which include joint development of integrated circuits.

Bosch said the companies will establish a microcontroller development unit at Bosch's Reutlingen research facility in West Germany.

SBC boosted by improved net commission

By John Wicks in Zurich

NET PROFITS of Swiss Bank Corporation (SBC) rose by 11 per cent last year to a record SFr749.5m ($505.4m), due primarily to an 8.5 per cent improvement in net commission income to SFr1.5bn.

At the shareholders' meeting of April 10, the board is to propose an increase in annual dividend from SFr13 to SFr14 per share and participation certificate.

After Union Bank of Switzerland had given its first-ever figure for consolidated assets last week, SBC took a similar step yesterday. The corresponding balance-sheet total reached some SFr190bn.

The parent bank, Switzerland's second biggest, accounted for SFr162.5bn of this sum. This represented a 6.5 per cent increase over the previous year, of which a "good two-thirds" is attributed to the integration of the London subsidiaries SBCI and SBCI Savory Milln and that of the Swiss regional bank Caisse d'Epargne du Valais.

Loans and advances to clients increased by 16.6 per cent to SFr96.6bn, more than offsetting a drop of 17.5 per cent in inter-bank lending to SFr36.9bn.

Net interest income rose 4.2 per cent to SFr1.36bn. Profits from currency and precious-metals trading increased by 11.4 per cent to SFr491.8m, earnings from securities dropping 1.9 per cent to SFr545.6m.

Mr Frehner, the chief executive, said losses from the bank's involvement in the German Co-op retailing concern totalled SFr365m and these had been fully written off.

SBC had not participated in Co op's January capital increase, primarily because of the lack of an issue prospectus within the subscription period but also "because no details were available on Co op's current situation."

He expressed his confidence that the London operations, now combined in the local branch, would return to profit in 1990. The 1989 deficit had, he added, been much less than that for the previous year.

With regard to the current dispute involving Eagle Trust, the UK mini-conglomerate being investigated by the serious fraud office, Mr Frehner said the transaction in question had been "inherited" when the bank acquired Savory Milln.

SBC had investigated the matter thoroughly some months ago and viewed the Eagle Trust claim as "unjustified."

Wilrig blames results on currency loss

NORWAY'S Wilrig offshore oil drilling rig group, formed last June after it was hived off from the Wilhelm Wilhelmsen shipping group, sailed into the red last year with net losses of NKr44.5m ($6.85m), Karen Fossli writes from Oslo.

The group's directors attributed the poor result mostly to a net currency loss of NKr33.4m on the company's dollar cash balances and to NKr12m in net interest costs.

"The group's conscious policy is to protect the US dollar purchasing power of its cash resources, since the cost of its fixed assets and most of its liabilities are dollar denominated or determined," Wilrig explained.

Gross revenue in the six-month period hit NKr93.5m, though there was an operating loss of NKr22.3m.

INTERNATIONAL COMPANIES AND FINANCE

Lufthansa rejects offer to buy Pan Am subsidiary

By David Goodhart in Bonn and Rod Oram in New York

LUFTHANSA, the West German airline, has rejected a $350m offer to buy Pan Am's West Berlin route subsidiary, International German Services. However, Lufthansa says that talks between the two companies are continuing.

As a result of Germany's special post-war status, Lufthansa is not allowed to fly directly over the inner-German border and civil air traffic to West Berlin is monopolised by US, British and French companies.

However the three Western allies and the Soviet Union, under pressure from Bonn, are expected to abolish this restriction soon.

Financially troubled Pan Am is likely to suffer more than any other airline from increased competition on the hitherto profitable Berlin route and is thus trying to capitalise on its political advantage while it remains.

Mr Heinz Ruhnau, Lufthansa chief executive, has complained in the past that the US authorities have been least amenable to change because of pressure from Pan Am.

Most analysts believe Lufthansa has little interest in acquiring Pan Am's business, with its 2,200 staff and relatively old Boeing 727-200 fleet, as it will soon be able to put it out of business by competing against it.

However Pan Am does hold valuable assets in its "slots" at West Berlin and Frankfurt airports which might be attractive to Lufthansa. Although West Berlin has no shortage of slots Pan Am has especially attractive ones there and good slots are in short supply in Frankfurt.

Pan Am, which urgently needs to raise more cash from asset sales, declined to comment in New York on whether it was negotiating with Lufthansa.

It pointed out, however, that it had two distinct operations in Germany: the local operations of Pan American World Airways, which runs the internal German service; and Pan Am Express, a commuter airline flying small turbo-prop airliners.

Pan Am Express was set up in Berlin in 1986 and serves 11 cities in Europe. Should its sister company's internal German services be sold, the commuter airliner would continue to serve a number of cities from Berlin. Separate from the German service, Pan Am World Airways also serves 36 other European cities.

Although the internal German service has been profitable for many years for Pan Am, increasing competition in the past year has hurt its results. Pan Am Corporation, the holding company, mentioned it as a factor in its 1989 third-quarter loss of $18m before gains from asset sales.

Pan-Am is expected to run up further losses in coming quarters, requiring further asset sales to shore up its balance sheet.

Wormald ahead in spite of lower sales

By Chris Sherwell in Sydney

WORMALD International, the Australian-based fire protection group, yesterday reported interim profits had more than quadrupled in a continuation of its improvement since plunging into loss in 1987-88.

Figures for the six months to December showed an after-tax profit of A$23m (US$17.55m), up from A$5m in the previous corresponding period, on slightly reduced revenues of A$505m.

The profit figure is larger than the group's earnings for the whole of 1988-89, while the revenue figure reflects the divestment of assets as part of a rationalisation programme.

Mr Bob Mansfield, managing director, said the group's offshore operations now accounted for 82 per cent of its earnings before interest and tax and 76 per cent of its sales revenues.

The figures show interest expenses on borrowings cut to A$6.3m from A$16m, and Mr Mansfield said after a recent one-for-five rights issue to raise A$90m, Wormald would have a strong balance sheet.

The issue included free attachable options, and allowed the AFP Investment Group, Wormald's largest shareholder, to restructure its holding so that, after making a separate Wormald share placement, it could hold a smaller number of fully-paid ordinary shares and a larger number of options.

Earnings per share were 12.7 cents, up from 2.7 cents. An interim dividend of 5 cents a share is proposed.

Lowering the corporate defences

Laura Raun looks at changes to The Netherlands' merger code

THE Netherlands, a bastion of highly protective corporate anti-takeover defences, is quietly moving to chip away the walls by bringing its merger code more into line with European Community practices.

Today new revisions in the corporate merger code will take effect and more important ones are expected before the December 1992 deadline for the single European market.

However, The Netherlands' confusing tangle of self-regulatory codes, statutes and laws on corporate mergers, acquisitions and shareholders' rights may require more systematic pruning to produce a coherent regime to satisfy Brussels.

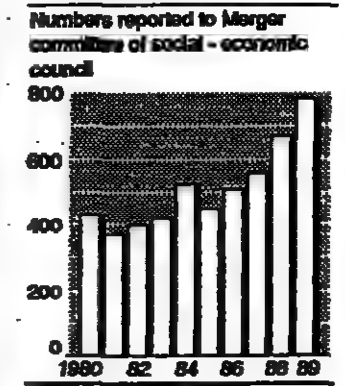
"I suspect we will have some rather hot discussions," says Mr Hans Hoyinck, secretary to the Social-Economic Council's Merger Committee, the governing body for mergers and acquisitions in The Netherlands. "It might be that we have to transform the (merger) code and its special status into law."

The merger code is a kind of gentlemen's agreement between industry and labour in which both sides pledge to abide by a set of rules about takeover procedures. A voluntary code of conduct with no legal sanctions, it is enforced by the Merger Committee, a toothless watchdog that relies only on public castigation for compliance.

The relatively lax requirements leave investors free to build up stakes in companies without publicly disclosing their holdings. Nor are investors obliged publicly to bid for the rest of the company after a stake is acquired through open market purchases or private placement.

Dutch Mergers

Numbers reported to Merger committee of social - economic council



In spite of the secrecy, no hostile takeover has yet succeeded in The Netherlands, because Dutch companies come armed with the toughest anti-takeover defences in the EC, with the possible exception of Germany. Wide-ranging powers for sitting management, restricted voting rights for shareholders, special priority shares and friendly foundations for parking preferred shares are among the companies' weaponry.

Nevertheless, two developments are eroding the corporate walls. One is a wave of directives from Brussels that will require The Netherlands to bring corporate law more into line with that of the EC.

A second development is Amsterdam's aspirations to be a "financial gateway to continental Europe."

At the same time, Mr Hoyinck notes that companies in the UK, Germany and Switzerland, among others, are looking to the Dutch market to get a strategic foothold on the Continent. He concedes that a foreign corporate raider intent on capturing a Dutch victim might ignore the merger code and challenge anti-takeover defences in the knowledge that changes are imminent.

"Under the surface, there are a lot of movements," he says, suggesting more takeovers could be in the offing.

From today the merger code will be modernised to allow a "blind tender," to provide a longer response time for companies under corporate attack and to require more information from those waging assault.

Under a blind tender, shareholders name the price at which they are willing to sell, although the buyer will be limited to 30 per cent of the shares under the merger code. Although the blind tender is rare in the UK and US, the Merger Committee pounced on it two years ago when a consortium of NMB, Staal Bankiers and Optimix launched a blind tender for Audet on behalf of a secret buyer. Audet at the time was under attack from fellow publisher VNU.

The unorthodox offer was retracted under pressure from the Amsterdam Stock Exchange, but highlighted the glaring need to regulate it in the merger code.

Mr Hoyinck, among others, believes blind tenders could prove popular. The blind tender assesses at what price shareholders are willing to sell, with less risk of a bidding war since holders can raise the ante. It also can ferret out information on who holds shares, an exercise which is now hampered by the Dutch system of anonymous, rather than registered, securities. And for the buyer, a minority stake is usually cheaper than a full takeover.

As from today, companies waging takeovers will also have to explain their "policy intentions" rather than simply stating their motives for the acquisition, its implications and planned measures. Companies under assault will have 15 days instead of seven to respond. In the merger code revisions, which were adopted last month, the Merger Committee paved the way for partial public offers, which are now forbidden to ensure all shareholders are treated equally. Indeed, the Merger Committee and Stock Exchange were incensed when VNU agreed in the dark of night to the demands of dissident Audet shareholders to sweeten its offer, which was then extended to all Audet holders.

Partial public offers may be permitted if the requirement to publicly disclose a stake of 10 per cent or more is enshrined in Dutch law, as is being considered.

Meanwhile, the Amsterdam Stock Exchange is still struggling to curb anti-takeover defences in line with EC directives, but against members' wishes. Only newly listed companies are required to limit their defences to two while the already listed ones are stalling in hopes of a watered-down Dutch law.

Some observers believe one supervisory body should replace the fragmentation between the Merger Code, Stock Exchange rules, Dutch Securities Board, Finance Ministry and Central Bank.

Levi Strauss up on collapse of Communism

LEVI Strauss Associates, the world's largest clothing maker, said sales overseas rose substantially in 1989 and the trend should continue as more eastern Europeans buy jeans, Reuter reports.

"We are watching the collapse of Communism, and if we get some stronger business activity and consumer income, we think people will want to buy Levis," Mr George James, the company's chief financial officer, said.

International sales grew 22 per cent to $1.2bn in 1989, domestic sales rose 14 per cent to $2.4bn.

Earlier, Levi Strauss reported record income of $272.3m on sales of $3.6bn in 1988, against $111.9m on sales of $3.1bn last time. However, part of the company's record 1989 earnings included a $71.8m pre-tax gain from the sale of its Japanese subsidiary's stock last June.

Harcourt Brace registers strong fourth quarter

By Karen Zagor in New York

HARCOURT Brace Jovanovich, the US publishing group, enjoyed a good fourth quarter and reports annual net profits for the first time since 1986.

The Orlando, Florida-based group reported fourth-quarter net income from continuing operations of $19.5m or 14 cents a share, against a loss of $54.7m or $1.09 from continuing operations a year ago.

Net income for the whole of 1989, including extraordinary items, was $12.4m or 17 cents, compared with a loss of $126.4m or $2.03 a year earlier. Revenues fell to $301.7m from $303.8m a year earlier.

The company's publishing business posted profits of $2.81m in the latest quarter and $6.14m for the whole year, compared with a loss of $1.98m in the last quarter of 1988 and a profit of $145.7m for the whole of 1988, while the insurance business saw net income fall to $10.7m from $12m the previous year.

For the whole of 1989, Harcourt's loss from continuing operations was sharply higher at $242.2m or $4.14, against $94.4m or $2.69 a year earlier. Revenues grew to $1.34bn from $1.27bn.

Harcourt said it recorded a write-off of $95m in publishing in the third quarter, including a writedown of inventory, plate and development costs for some school publications.

Operating profits from Harcourt's insurance business fell to $28.1m in 1989 from $47m the year before. In the third quarter, the company recorded a $17m charge for an insurance acquisition.

In the fourth quarter, Harcourt sold its theme park business to Busch Entertainment, a subsidiary of Anheuser Busch, for $1.1bn.

Harcourt said the proceeds of the sale were used to retire its long-term bank debt and to pay down all working capital borrowings.

Bankorp hit by losses on bad debts

By Jim Jones in Johannesburg

BANKORP, THE South African banking group, suffered the effects of too rapid growth in the six months to December 31 1989 and has disclosed a sharply lower taxed profit.

The group has actively sought new business but at the cost of higher bad debt losses and narrower banking margins as the Reserve Bank tightened monetary policies.

Mr Derek Keys, the new chairman, says the group's main shareholders have agreed to accept additional shares instead of dividends to increase the group's disclosed capital.

In December the group raised R345m ($136m) from its shareholders in a recapitalisation issue to cover gilt and forex trading losses incurred by Trust bank, the commercial banking subsidiary.

The group's interim disclosed taxed profit tumbled to R45.8m from R59.2m in the corresponding period of 1988. It totalled R131.6m in the year to June 30 1989.

Mr Keys adds that gilt trading exceeded acceptable risk levels, that poor controls over forex trading administration have been discovered and that irregularities in debt recovery have been alleged. Several bank officials have left the group in recent months.

The first half's disclosed earnings per share dropped to 42.9 cents from 57.2 cents and the interim dividend has been cut to 10 cents from 14 cents.

Egyptian fraud case gets under way

By Tony Walker in Cairo

ONE OF the biggest financial dramas in Egypt's history finally came to court this week, and if the opening hearing is any indication, it is likely to be a long and theatrical affair.

Mr Ahmed Tawfik Abdel-Fattah, the bearded 33-year-old chairman of the Rayan Islamic investment company, along with a number of business associates, faces life in jail if convicted on charges of defrauding Egyptian investors of E£1.9bn ($716m).

Mr Abdel-Fattah put up a spirited defence at his initial hearing, asking the court to release him so he could work to repay depositors who poured money into his investment company between 1982-86, but the judges were unmoved.

The Rayan trial, which has attracted blanket coverage in the government and opposition press, has once again focused attention on the sorry story of the unruly and unregulated deposit-taking sector that rose to dizzy heights before the authorities belatedly stepped in to stop the party in early 1988.

By then it was too late to rescue the life savings of tens of thousands of small investors who had lodged the equivalent of an estimated $8bn in more than 100 funds that mushroomed out of control in the mid-1980's.

The Government intervention prevented companies from continuing trading while a law was introduced to clean up the deposit-taking sector, but as officially-appointed auditors worked through the books of many investment houses it became increasingly clear liabilities far exceeded assets.

In the case of Rayan, there was little trace of tens of millions of dollars of depositor's funds that were funnelled out of the country for investment in real estate, and for trading in commodities and currencies. Government investigators have traced only a fraction of the funds lodged abroad.

Egyptian bankers say Rayan, which was started by a group of brothers in the early 1980s as a small investment vehicle, lost millions in currency and gold speculation, but they believe the company still has substantial funds in foreign accounts.

They say the location of these funds is not being revealed by the Rayan principals in the hope of using them to bargain for lesser sentences.

There have been persistent and well-founded reports in the past year of a bargaining process between intermediaries acting on behalf of the Government and the accused.

The fact that these "discussions" have made little progress, indicates the Rayan funds abroad may not be substantial after all.

Meanwhile, the heads of other investment companies, who have managed so far to escape the drastic fate to have befallen Mr Abdel-Fattah and his associates, are under heavy government pressure to repay depositors.

Al Saad and al Sharif, the two investment houses allowed to continue operating under the new Law 146 after satisfying government auditing requirements, are facing severe difficulties meeting their obligations to depositors.

Other large investment houses such as al Hoda Misr are being obliged to liquidate their assets to repay investors. But, according to a Hoda Misr spokesman, the assets sold are realising less than their true value because purchasers know the company is a forced seller.

The investment companies have been widely accused of operating "pyramid" schemes whereby they paid depositors with the funds of new investors. They attracted a flood of savings by offering high rates of return of in excess of 20 per cent on deposits under so-called "profit and loss" arrangements with clients. This, in fact, was a thinly disguised way of getting round the Islamic ban on usury.

Ares-Serono climbs by 29.6%

By William Dullforce in Geneva

ARES-SERONO, the Geneva-based pharmaceuticals group, yesterday reported a 29.6 per cent climb to $62.3m in 1989 net earnings and proposed to raise its dividend by $3 to $25 per bearer share and by $1.20 to $10 per registered share.

Net earnings per share were $114.58, against $88.36 in 1988, while pre-tax income before minority interests was up by almost 26 per cent to $94.35m. Fixed capital spending was down to $57.5m from $65.8m in 1988. Turnover grew by 23.5 per cent to $519m, with sales of ethical pharmaceuticals advancing by 19 per cent to $421m, diagnostic products climbing by 44 per cent to $83.8m and over-the-counter drugs by 61 per cent to $14.4m.

If unfavourable currency fluctuations are eliminated, the 1989 turnover growth would have been 26 per cent, Ares-Serono said.

Last year the US accounted for 28 per cent of total sales, up from 19.2 per cent in 1988, but the bulk – 63 per cent – of the turnover was still made in Europe. Operating headquarters are in Boston, Massachusetts, and the group runs subsidiaries and manufacturing plants in more than 20 countries. No changes were made to the share structure in 1988. Mr Fabio Bertarelli, the Italian-born chief executive, owns 86 per cent of the stock.

Ares-Serono in January announced it was issuing $125m in senior notes through its US subsidiary to a group of US insurance companies. The proceeds were to be used partly for acquisitions.

Compensation for Bougainville Copper

By Kenneth Gooding, Mining Correspondent

BOUGAINVILLE Copper, whose mine in Papua New Guinea has been closed since May because of rebel activity, said yesterday its insurers will pay A$102.5m (US$78m) in compensation.

The company, 53.6 per cent owned by CRA, the Australian resources group, previously intended to start an action in the Victoria Supreme Court, seeking A$500m from four of its insurers.

In return for the agreed payment, to be made on or before April 5, Bougainville said it would release the insurers from claims under its 1988/89 insurance policies. The parties will meet their own costs.

Bougainville recently reported an after tax loss of 2.9m kina (about US$3m) for 1989 compared with a profit of 108.6m kina the previous year.

No dividend was paid and the company said it would cost between 10m kina and 20m kina a year to keep the Bougainville mine on a care and maintenance basis.

FerNZ in fertiliser bid

By Terry Hall in Wellington

THE FerNZ group yesterday launched a NZ$66.5m (US$38m) offer for control of Bay of Plenty Fertilizers in a move to give it about 50 per cent of the New Zealand fertiliser market. FerNZ yesterday launched a cash and share offer for the 60 per cent of the company it did not already own.

If the bid succeeds it will mean FerNZ is in direct competition with the farmer co-operative movement which has built up a national chain of fertiliser companies, mainly through the takeover of listed public and co-operative companies.

Subject to statutory and shareholder approval, the offer will give BoP Co-op shareholders the choice of NZ$18 cash for every five shares, or NZ$11.65 cash, or one FerNZ share for every five BoP Co-op shares. Mr Hoggard said the investment was a commitment by FerNZ at a time when farm incomes and fertiliser usage had begun to increase.

Toyota S Africa up 14%

By Jim Jones

TIGHTER credit curbs reduced motor vehicle sales in South Africa in 1989 and the total market dropped to 352,629 from 357,898 units. However, demand was greater than Toyota, the country's largest motor manufacturer, could supply.

The directors believe the motor market will fall by about 3.5 per cent this year but expect Toyota to maintain its sales at last year's levels.

Toyota's turnover increased to R2.92bn ($1.14bn) in the year to December 31 1989 from the previous year's R2.51bn and the pre-tax profit was R174.6m against R153.1m, a rise of 14 per cent.

Earnings rose to R22.59 a share from R21.93 and the total dividend has lifted to R4.10 from R3.60. Toyota is wholly-owned by South African investors. The Japanese Toyota company sells components and licenses manufacturing processes.

INTERNATIONAL CAPITAL MARKETS

Banking row adds to the confusion over repo deals

Katharine Campbell takes a closer look at the arcane world of repurchase agreements

THE BITTER dispute between DG Bank and nine French banks concerning deals worth DM6bn ($3.6bn) in the German government bond market have forced out into public gaze the arcane and often murky world of repurchase agreements.

DG maintains there was no repurchase element to the cash and forward sales concerned, and so will not buy back the bonds. The French banks say they will not take up the bonds under the forward agreements if DG will not buy them back at a later stage.

Long a staple part of the US money markets, repos have also grown up in a number of forms in the various European markets. Regarded, indeed in Germany, as highly solid and traditional business, the exact construction of these arrangements appear, on closer examination, to be a source of considerable confusion.

The practice on Wall Street, dating back to the 1950s, arose from the simple need of securities dealers to finance their own holdings of bonds, which would represent many multiples of the capital at their disposal. While they could borrow from banks using the bond portfolio as collateral, the cheaper course was to borrow money from investors via a repurchase agreement – the simultaneous sale and repurchase of a collection of securities.

Large institutional investors offer dealers what amounts to a collateralised loan, for which they get paid, though not as much as if they were a bank. A reverse repo, where the dealer stands on the opposite side of the transaction and buys bonds from an investor which he then undertakes to sell at a fixed price at a future date, are the most common method of "shorting" the market.

The lion's share of the German bond repo market exists in London, having expanded dramatically in the last 18 months – partly in tandem with the futures contract on Liffe. It is firmly US-style, where both parties agree a start and end date for the transaction, set a fixed rate, and write two tickets – one for the sale of the bonds, one for the buy-back.

But the basic repo principle is no stranger to the German market, where so called pensionsgeschaeft (literally, bed-and-breakfast business) has long existed – sell and buy-back arrangements largely similar, except in name, to a repo.

In 1975 the Bundesbank became concerned that these were being used to circumvent minimum reserve requirements, thus complicating its own conduct of monetary policy, so that the business went dead for a while. However, it has re-emerged in a slightly restructured form, to take account of that concern – largely at the instigation of some US houses.

Meanwhile, in the French so-called réméres market, which is largely confined to French securities, the owner of the bonds legally has a right not to buy back the bonds at the end of the term.

The market is structured this way because a traditional repo would count as a collateralised loan, hence barring non-banks from engaging in the business.

While the option has never yet been exercised in Paris, according to French dealers, most international bankers who participate in this market say they habitually send a telex confirming they waive this option.

German bankers say that a similar kind of operation used to be common in the old-style pensionsgeschaeft, where the buy-back ticket was "kept in the drawer." However, they add that it is now highly unusual.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Amsterdam-Rotterdam Bank‡◆	500	(a)	100	2005	25/12½bp	Trinkaus & Burkhardt
National Bank of Hungary(b)◆	200	10	100	1997	2¼/1½	Commerzbank
US DOLLARS						
Unilever Capital Corp.(b)◆	250	9¼	99.45	2000	32½/20bp	Deutsche Bank Cap. Mkts
Yasuda Trust & Banking(Lux)◆	50	(c)	102	2000	2/1¼	Yasuda Trust Europe
Marubeni Int. Finance◆	31	3	79.295	1995	1⅞/1¼	Fuji Int. Finance
SWISS FRANCS						
Jidosha Kiki Co.(d)∗∗§	100	Zero	100	1994	1½	Yamaichi Bank (Switz)
YEN						
Sth A'tralian Govt.Fin.Auth◆	10bn	7⅜	101.075	1992	1⅛/⅝	Daiwa Europe

∗∗Private placement. ¶With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Coupon pays ⅛ over 6-month Libor first five years, ⅛ over 6-month Libor next five years and ¼ over 6-month Libor thereafter. Non-callable. b) Non-callable. c) Coupon pays 30bp over 6-month Libor first three years, 10¼% fixed thereafter. One call only after three years at 100. d) Put option 31/3/92 at 105⅛ to yield 3.9%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8¾ 96	750	97⅛	97⅝	0	+0¼	9.17
Alberta 9⅝ 95	600	101	101½	+0⅛	+0⅛	9.09
Austria 9⅝ 95	140	101½	102¼	+0⅛	+0⅛	8.94
B.F.C.E. 8⅝ 94	175	97⅛	97¾	0	+0⅛	9.02
B.F.C.E. 9¼ 98	150	100⅛	100⅜	+0⅛	+0⅛	9.09

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99	99¼	−0⅛	−0⅛	0.07
Canada 5⅝ 93	80	96	96¼	−0⅛	−0⅛	6.93
Cr.Local France 6⅛ 94	300	96¼	96½	−0⅛	−0⅞	6.60
Denmark 6⅛ 95	300	96	96¼	−0⅛	−0⅞	6.62
E.I.B. 4⅝ 93	30	94½	94¾	−0⅛	−0⅛	6.91

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 4½ 98	200	†82¾	83	+0⅛	−0⅝	7.30
B.F.C.E. 5	150	†73	74	0	0	7.43
B.M.W.Fin.Neth. 5 13	100	†84	85½	−0¼	−0¼	8.65
Britannia B/S. 4⅛ 94	125	†82	84	−0⅛	−0½	9.03
CIR. Int. W/W 3 93	100	†78	79	−0½	−0½	7.88
Credit Lyonnais 4⅞ 00	150	†82½	83	−1	0	7.48
E.I.B 4⅝ 98	75	†96½	98	−1	−0¼	9.45
Fina. Exp. Cd. 8⅛ 92	150	†74¾	75	+0¼	−0⅛	9.44
Fletcher Chall. 4⅞ 98	200	†88½	89½	+0⅜	−0¼	7.24
I.A.D.B. 6 2004	150	†83	83½	+0½	+0¾	7.37
Kobe City 4⅞ 98	200	†86	86½	+0⅝	−1¼	9.39
Leeds Perm. B/S. 4⅛ 93	100	†80	81	+0⅝	+3½	8.61
Malaysia 5¼ 98	150	†80¼	81	0	−0⅛	9.86
Maxwell Comm.Crp. 5 95	75	†84¼	85	0	−0⅝	9.56
Nat. Bk. Hungary 5½ 94	200	†86½	87½	0	−0¼	8.69
Nationwide Ang.B/S. 4 93	150	†78	80	0	+0¼	7.49
Prov. Newfoundland 5 03	200	†81	82	−0¼	−1	9.13
Thailand 4⅝ 95	150	†81	83	+0⅜	+0½	7.12
World Bank 5 03						

Average price change... On day +0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Nest Plc 5¾ 03 £	11/87	4.3	95½	96½	+0⅛	285.79
Nissl Hap.Bk. 2⅞ 03 US	4/88	804	139	140	+5¼	−1.62
Omnicom Inc. 6 1/2% 04 US	10/89	28	101½	102½	[illegible]	[illegible]
Orwon Tateisi 2⅞ 02 US	4/87	1318	251½	252½	+14	3.16
Ranks Hovis 4⅞ 03 £	1/88	3.5	112½	113½	+1¼	0.64
Redland 7⅛ 02 £	†1/87	5.4	101	102	+0⅞	3.81
Saatchi&Saatchi 6⅛ 03 £	[illegible]	[illegible]	60	61	+3	96.18
Silicon Graphics 8 04 US	10/89	23.18	133	134	+0½	−0.59
Sumitomo Bank 3⅛ 04 US	2/89	3097	76½	77⅛	−0¼	16.30
Texas Inst. 2⅞ 02 US	9/87	82.87	75⅝	76⅝	−6⅛	78.97
Utd.N'papers 8 04 £	10/89	8.77	122⅞	123⅞	+3⅞	197.90
W.R. Grace 6½ 02 US	9/87	42.12	88¼	89¾	+0⅞	28.54

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Unilever issue priced into a weak market

By Deborah Hargreaves

THE EUROBOND market faced another setback yesterday as Government bond prices across Europe tumbled and the gilts market looked particularly weak after disappointing trade figures.

A $250m Unilever deal received its final pricing yesterday, coming out at a 67 basis point spread over a slightly stronger Treasury market. The deal was finally priced at 99.45 with a coupon of 9¼ per cent.

INTERNATIONAL BONDS

Deutsche Bank, the lead manager, indicated that the attractive yield had been maintained at the urging of some underwriters in the syndicate. At this level the bond was trading at 99.55 bid and Deutsche reported about 75 per cent of the bonds had been sold to a variety of European investors.

The German market was weaker with a drop of about ¼ point at the long end, with demand concentrated in the shorter maturity range.

A DM200m issue for the National Bank of Hungary reopened the straight issue market, which has been closed since mid-January. Since then the German market has seen only one straight issue, which was later withdrawn. The Hungary deal was well received and was trading just inside fees last night at about less 2 bid.

A floating-rate note issue for Amsterdam-Rotterdam Bank did not see much demand in the market yesterday and was trading outside of underwriting fees in a range from 99.55 to 99.65 bid. The market was reluctant to buy the subordinated deal, which German banks cannot use for capital adequacy purposes on their books.

The market was anticipating today's innovative $500m to $1bn deal for Denmark when J.P. Morgan issued identity numbers for the auction late yesterday. This means that bidders will be identified by number only, assuaging some fears among market players about how the auction will be conducted.

The auction will be held this morning between 9am and 11.30am. Results will be announced at 1pm, with final pricing and terms to be released at 2.30pm. J.P. Morgan said the re-offer price would be held until syndication was broken.

Share placing at Polly Peck to fund US deal

By Deborah Hargreaves

AN EQUITY offering for Polly Peck, the international trading company, has extended to the overseas share market the concept of vendor placing arrangements.

A vendor placement is commonly used in the UK during an acquisition of a company which is paid for in a share issue to stockholders. Those shares are then placed by underwriters which subsequently pay the shareholders in cash.

It is a practice that is not used much in the international share placement market.

Polly Peck yesterday issued about 4.8m new shares – valued at around $31m – to fund its acquisition of the Standard Fruit and Vegetable Co of the US. The shares were placed by Shearson Lehman and Barclays de Zoete Wedd in the Far East, France, Italy, Scandinavia, Switzerland and the Middle East. The offering was completed within half an hour yesterday morning.

The shares were issued at 379p, or 1 per cent below the bid price of the night before. Following the offering, Polly Peck shares traded up by 10p.

Index option based on five Dutch groups

Trading in options and futures on an index covering shares of five Dutch companies will start on the Dutch European Option Exchange (EOE) and Financial Futures Market (FTA) on March 21, Reuter reports.

The index will be based on shares of Akzo, KLM, Royal Dutch, Philips and Unilever.

Before 1992 the EOE plans to introduce options based on a European index.

INTERNATIONAL CAPITAL MARKETS

UK trade figures throw gilts into sharp decline

By Andrew Freeman in London, Stephen Fidler in Tokyo, Janet Bush in New York and George Graham in Paris

THE UK gilts market, recently dominated by the German market, saw the return of domestic influence with a vengeance yesterday as release of the latest UK trade figures caused sharp falls across the maturity range.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	95-07	-11/32	12.67	12.63	12.19
		10.500	8/99	93-09	-27/32	11.69	11.56	11.14
		9.000	10/08	89-02	-04/32	10.74	10.65	10.21
US TREASURY *		8.500	02/00	99-27	-23/32	8.52	8.50	8.54
		8.500	02/20	99-16	-34/32	8.55	8.64	8.58
JAPAN	No 119	4.800	6/99	87.4005	-0.517	7.04	6.77	6.49
	No 2	5.700	3/07	92.7778	[illegible]	[illegible]	6.41	6.33
GERMANY		7.125	12/99	89.8000	-0.600	8.70	8.67	7.64
FRANCE	BTAN	8.000	10/94	90.5827	[illegible]	[illegible]	10.65	10.35
	OAT	8.125	5/98	88.3400	-0.470	10.11	10.23	9.61
CANADA *		9.250	12/99	91.5000	-0.650	10.67	10.58	10.02
NETHERLANDS		7.500	11/99	90.7500	-0.370	8.96	9.04	8.26
AUSTRALIA		12.000	7/99	93.2828	+0.701	13.26	13.28	12.71

London closing, *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

A quiet start gave way to hectic marking down of prices, with the damage concentrated at the long end. The 11¾ per cent benchmark maturing 2003-07 rocked by as much as 1 point, quoted at 103⅜ to yield 11.27 per cent.

Losses at the shorter end were less dramatic, but most issues were marked down by about ¼ point.

Analysts said the poor trade figures had hit gilts in particular as the strong level of imports indicated continuingly robust domestic demand, implying that the UK Government's squeeze on inflation is barely working.

Later in the day prices took a further turn for the worse. At the long end, gilts gave up another ½ point with the 2003-07 benchmark hitting 102¾ to yield 11.36 per cent. An aggressive late seller in the futures market was blamed.

■ IN GERMANY, a calm day's trading saw mixed two-way business as the bund market tried and failed to consolidate around recent levels.

In spite of a lack of clear direction, prices drifted lower early on amid talk that end-of-month positions were being squared.

The 7¾ per cent bund maturing 2000 was fixed in the morning at 93.85, down from 94.18 on Tuesday, to yield 8.70 per cent. Most other issues were around 20 pfennigs lower. In the afternoon, however, prices fell away a further 30 pfennigs as the US dollar strengthened against the D-Mark.

The bund future also drifted off as the day went on, trading towards its low at 82.10.

The Bundesbank announced a two-tranche repurchase agreement, adding DM35.2bn to the market while simultaneously draining DM26.9bn. Traders said the extra liquidity had little impact.

The Federal Railway is expected to issue shortly a domestic floating-rate note, the first of its kind for a public authority.

■ AN EARLY rally in Japanese government bonds yesterday petered out and had more than reversed itself by the end of Tokyo trading.

The yield on the benchmark No. 119 bond, which carries a 4.8 per cent coupon and matures in June 1999, closed above 7 per cent. It weakened to finish at a yield of 7.015 per cent, against 6.955 per cent in late trading on Tuesday.

The rally was encouraged by the coupon of 6.4 per cent proposed by the Ministry of Finance on the delayed issue of new 10-year bonds, above some of the lower estimates. There were no reports of buying by the ministry's debt consolidation fund, which has moved into the market as a buyer in recent days when yields have topped 7 per cent.

■ US Treasury bonds showed little negative reaction at first to yesterday's fourth-quarter GNP revisions, registering modest gains at midsession. But then confidence wavered.

In late trading, the Treasury's benchmark long bond was quoted ½ point lower to yield 8.53 per cent.

Traders attributed the afternoon losses to some disappointment with the GNP figures, a bout of profit taking and a negative interpretation of comments by Mr Alan Greenspan, chairman of the US Federal Reserve. He said that the chance of a recession was below 50 per cent and gave very little emphasis to weakness in the economy.

Fourth-quarter GNP was revised upward to an adjusted annual rate of 0.9 per cent from the previously reported 0.4 per cent rate, against forecasts of a small downward revision.

However, this news was counterbalanced by downward revisions in key inflation indicators. The fixed weight index was revised to an annual rate gain of 3.6 per cent in the fourth quarter compared with 3.8 per cent rate estimated last month. The implicit deflator was revised to an annual rate of 3.2 per cent from 3.5 per cent previously estimated.

Overall, the GNP revisions provided no new justification to the US Federal Reserve to ease conditions. "Based on the revised data, it would be hard to argue that the US economy was in a recession in the fourth quarter," commented analysts at Griggs & Santow.

■ THE FRENCH Government is to sell between Ecu200m and Ecu300m of its eight-year bond denominated in European currency units at its auction today, coinciding with its regular monthly auction of French franc-denominated bonds.

IPMA to streamline launch of new issues

By Andrew Freeman

THE International Primary Markets Association, the trade association which represents the banks underwriting and syndicating Eurobond issues, is preparing new standard documentation agreements designed to introduce greater efficiency to the launching of pre-priced new issues.

Inter-manager agreements are in the final stages of preparation and should be endorsed by the IPMA board of directors within the next two weeks. If approved, the system would bring the Eurobond market closer to the standards of efficiency enjoyed by the *international swaps market*.

The IPMA system for the Eurobond market will be confined initially to pre-priced deals, cutting the burden of administration and reducing legal expenses. Complicated deals will continue to have bespoke documentation.

IPMA also confirmed the introduction of three changes to its recommendations on procedures for the syndication of pre-priced debt issues. The changes, which exclude equity-linked deals, apply to all deals issued on or after March 12. From that date all syndicate fees will be payable on the closing date, as opposed to the current five-day limit.

Where a lead manager passes on stabilisation costs, these must be netted on the closing date, eradicating the 30-day period typical at present. Finally, lead managers will no longer be allowed to pass on expense overruns.

Japanese warrants face hard times

Andrew Freeman on the decline of a once-lucrative Eurobond sector

The recent volatility on the Tokyo equity market has led managers of leading Eurobond houses to glance nervously over their shoulders. Their worries stem not so much from the threat of a crisis in the world financial system, as the danger posed to the lucrative dollar-denominated equity warrants sector.

Initially traders of secondary market warrants felt that the sharp moves on the underlying market had been absorbed easily, implying a professional and mature response. "The bounce back in prices after the correction showed that the equity warrant market has come of age," said one dealer.

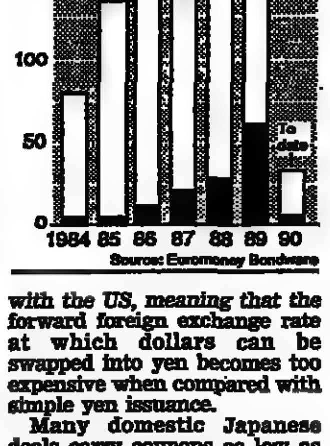
Indeed, only days after the second largest fall in the Tokyo equity market's history, the Cresvale Group announced the *launch of the latest equity* warrant fund to specialise in Japan. Its managers said they saw good buying opportunities in the greatly reduced prices.

It was on the primary market, however, that a genuine nervousness could be detected. So far this year there have been relatively few issues of bonds with warrants for Japanese borrowers in the Euromarket. The new-issue volume for 1990 will certainly be well down on 1989.

There are several reasons for this, but the most important has been the increasing rivalry of the market for domestic Japanese warrants. Borrowers have found it cheaper to issue *directly into yen than to tap* the Euromarket, which requires dollar funds to be swapped back into yen.

This is because the sharp rise in Japanese interest rates since January has narrowed the interest rate differential *with the US, meaning that* the forward foreign exchange rate at which dollars can be swapped into yen becomes too expensive when compared with simple yen issuance.

Eurobond new issue volume



Many domestic Japanese deals carry coupons as low as 0.1 per cent with a typical warrant price of about 24. Traders argue that these coupon rates will have to rise to match the higher levels available in the Euromarket.

But in the meantime the Euromarket is having to adjust to the possibility that the one sector it thought it could rely on to generate consistent profits may now be proving fickle.

This would be less of a problem if there were other sectors or products capable of stepping into the breach. However, the general retreat of bond markets since the beginning of the year argues against such a rescue.

The days when a new issue of bonds with warrants could be almost guaranteed to trade at an instant premium to its par launch price appear to be over.

For most of last year the typical warrant deal traded at between 102 and 107, generating huge profits for the lead manager and providing humbler but significant income for the smaller participants.

Although the remark became a cliché, there was truth in the charge that many houses' presence in the Euromarket was supported primarily by the crumbs they picked up from regular positions in equity warrant syndicates.

It would be an exaggeration to suggest that the Euromarket cannot respond to competition from the domestic Japanese market. But the combination of *changed fundamentals and* the Ministry of Finance's desire to increase its control over the equity warrant business is certainly enough to raise important questions.

Even assuming the business continues on a smaller scale, it seems likely that the sheer and unexpected pace of change will force some houses to reconsider their capacity earlier than would otherwise have been the case. Another possible effect is that syndicate managers will have to become more realistic in bidding for mandates and more careful in accepting positions in other banks' deals.

In the last two weeks the Eurobond market has become rife with renewed speculation that a round of withdrawals is imminent. Several houses which were active lead managers last year have been ominously quiet in 1990.

Some of the quiescence has been due to events in Germany. For example, investors have had little incentive to tap the Ecu market while the future of the D-Mark has been so clearly uncertain. Thus, houses like Paribas and Crédit Lyonnais, among the leaders in underwriting and distributing Ecu Eurobonds, have had a reduced presence.

Looked at from the borrower's perspective, the international equity warrant sector proved itself long ago as a reliable source of cheap funds. In the early days it offered a simple alternative to the domestic Japanese convertible market.

Borrowers today face a growing choice of funding alternatives – they can issue warrants or convertibles not just in Japan, but also in Germany, Switzerland and in the Eurodollar market.

In the short term it seems likely that further equity warrant deals will be postponed or cancelled. In the longer term, while the market will recover it will do so against increased competition from other sectors.

The likelihood is that a smaller absolute amount of issuance will be concentrated in a few large deals, reducing the number of issues trading on the secondary market. Smaller and medium-sized Japanese companies, many of which have tapped the equity warrant sector in the past, may well continue to find the domestic market a cheaper source of funds.

At the same time, incremental profits will disappear. Pricing of newly issued and secondary market warrants should become more precise, leaving less room for arbitrage and exploitation of anomalies.

Tokyo to raise limits on bonds

LIMITS ON issues of straight and warrant bonds by Japanese companies are expected to be raised soon after a planned revision in the commerce law, Reuter reports.

An advisory committee is planning to submit to the Justice Minister shortly a request for changes to the law. These would allow companies to issue twice as many warrant bonds and more straight bonds than currently permissible.

Chase merges custody unit

CHASE Manhattan Bank has announced the merging of its global custody and domestic US pension trust businesses to form a single global securities services group, writes Andrew Freeman.

The new unit will have more than $250bn of assets under custody. It will be managed by Mr Marshall Carter, a senior vice president previously in charge of Chase's worldwide global custody division.

The move comes as several leading custodian banks form integrated global securities services operations, curbing systems and administrative inefficiencies. Separate domestic and international operations involved expensive duplication of functions.

Chase Manhattan is among the leading global custodians, acting as administrator and trustee for the securities assets of pension funds, insurance companies, banks and unit trusts.

SBC launches novel option

SWISS Bank Corp issued a second edition of its novel options product yesterday, allowing small investors to gain exposure to or protection against fluctuations in Swiss franc interest rates, writes Deborah Hargreaves.

The second issue consists of 50,000 call and 50,000 put options on the Swiss franc five-year London interbank offer rate. It follows the initial success of SBC's offering in August last year.

An option gives the holder the right to buy, via the call, or to sell, via the put, a notional 7¾ per cent five-year bond with a face value of SFr5,000.

The options were launched to an enthusiastic market response.

The call option proved to be more popular than the put and began trading at SFr122 to SFr127. The put option was trading at SFr107 to SFr112.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday February 28 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Feb 27 Index No.	Mon Feb 26 Index No.	Fri Feb 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (202)	849.61	—	13.44	5.05	9.87	1.89	850.11	846.60	841.00	929.76
2 Building Materials (27)	1030.87	-0.2	15.26	5.48	8.17	0.50	1032.73	1025.43	1018.06	1141.91
3 Contracting, Construction (37)	1415.77	-0.2	17.36	5.59	7.54	3.69	1419.23	1419.47	1416.57	1676.24
4 Electricals (10)	2369.80	—	11.36	[illegible]	11.07	0.75	2368.36	2352.47	2350.40	2672.35
5 Electronics (30)	1874.59	+0.2	9.61	3.92	[illegible]	10.52	1870.65	1877.87	1866.49	2072.76
6 Engineering-Aerospace (8)	422.36	+0.7	14.32	[illegible]	8.58	0.04	419.56	415.78	418.05	0.00
7 Engineering-General (43)	460.17	+0.3	12.42	5.21	9.66	1.28	458.70	455.65	453.82	0.00
8 Metals and Metal Forming (6)	467.13	+0.2	25.24	6.44	4.47	0.00	466.39	463.30	460.50	523.85
9 Motors (16)	350.87	—	15.87	6.82	7.78	0.00	351.02	351.08	349.96	318.34
10 Other Industrial Materials (25)	1535.67	-0.5	11.16	4.72	10.41	3.06	1543.71	1532.20	1518.60	1551.47
21 CONSUMER GROUP (177)	1229.19	+0.1	9.17	3.89	13.63	3.14	1228.34	1223.70	1215.78	1162.43
22 Brewers and Distillers (22)	1435.97	-0.1	9.73	3.66	[illegible]	6.57	1436.96	[illegible]	1418.20	1293.91
25 Food Manufacturing (19)	1057.82	—	10.14	4.37	12.36	1.70	1057.54	1052.40	1044.82	1019.87
26 Food Retailing (16)	2284.49	+0.3	8.88	3.32	14.41	6.99	2278.36	2265.93	2233.00	1982.32
27 Health and Household (13)	2407.28	+0.1	6.50	2.72	18.31	0.20	2404.40	2392.80	2388.19	2128.32
29 Leisure (31)	1518.63	-0.3	8.73	3.91	14.14	5.74	1523.87	1524.94	1506.91	1593.90
31 Packaging & Paper (13)	555.75	+0.1	12.64	5.58	9.99	0.90	555.04	554.38	557.85	588.86
32 Publishing & Printing (17)	3361.43	-0.1	9.63	5.24	13.26	21.20	3364.16	3346.30	3350.46	3667.24
34 Stores (33)	778.75	+0.4	11.13	4.80	11.69	1.78	776.00	771.80	770.86	758.46
35 Textiles (13)	497.50	+0.4	11.60	6.02	10.46	0.37	495.46	497.86	496.16	516.71
40 OTHER GROUPS (103)	1154.97	—	11.00	4.86	10.90	1.57	1154.77	1151.03	1144.16	1041.13
41 Agencies (17)	1533.97	+0.1	6.83	2.43	18.01	9.20	1533.02	1516.11	1516.21	1260.91
42 Chemicals (22)	1172.34	-0.2	12.30	5.63	9.56	0.57	1174.62	1165.06	1154.57	1188.75
43 Conglomerates (13)	1572.15	-0.1	11.44	6.24	10.29	5.27	1573.95	1570.98	1564.84	1446.67
44 Transport (13)	2254.86	+0.3	10.73	4.26	11.87	2.88	2247.74	2241.35	2247.22	2327.53
46 Telephone Networks (2)	1217.76	+0.1	10.43	4.21	12.47	0.00	1216.75	1214.73	1201.74	1092.07
47 Water (10)	2029.38	-0.6	17.17	6.67	[illegible]	0.00	2041.34	2046.31	2038.50	0.00
48 Miscellaneous (26)	1832.37	+0.3	9.80	4.49	11.50	1.11	1827.35	1823.81	1810.42	1432.95
49 INDUSTRIAL GROUP (482)	1124.14	—	10.79	4.48	11.34	2.33	1123.90	1119.75	1112.64	1085.93
51 Oil & Gas (18)	2338.04	+0.3	10.32	5.15	12.02	31.07	2332.00	2322.06	2340.04	1848.73
59 500 SHARE INDEX (500)	1225.01	—	10.72	4.58	11.54	4.59	1224.32	1219.70	1214.45	1151.58
61 FINANCIAL GROUP (114)	884.79	-0.1	–	5.44	–	3.82	885.67	810.29	809.84	737.62
62 Banks (9)	874.45	+0.8	17.87	6.11	7.39	13.93	867.74	870.26	864.75	[illegible]
65 Insurance (Life) (7)	1304.95	-0.3	–	5.09	–	0.00	1308.04	1324.76	1329.85	1030.49
66 Insurance (Composite) (7)	663.79	-2.1	–	5.78	–	0.00	678.02	691.24	682.79	591.10
67 Insurance (Brokers) (6)	1056.42	-0.3	6.98	5.97	19.07	0.73	1059.56	1081.66	1091.81	982.78
68 Merchant Banks (8)	490.44	+0.4	–	3.67	–	0.04	488.56	487.80	490.23	346.88
69 Property (49)	1107.50	-0.2	8.20	3.90	15.43	1.39	1109.33	1106.60	1114.16	1289.76
70 Other Financial (28)	316.05	+0.1	13.73	6.72	9.61	2.30	315.82	315.18	318.84	378.09
71 Investment Trusts (68)	1152.67	+0.8	–	3.23	–	4.61	1144.86	1131.41	1139.48	1074.29
91 Overseas Traders (5)	1358.84	+0.1	11.19	6.73	10.51	30.79	1357.38	1363.38	1365.44	1409.93
99 ALL-SHARE INDEX (687)	1122.26	—	–	4.68	–	4.90	1121.66	1118.85	1114.95	1061.42

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21	Year ago
FT-SE 100 SHARE INDEX♦	2255.4	+0.6	2265.6	2253.7	2254.8	2249.3	2236.7	2260.2	2259.7	2021.3

FIXED INTEREST

PRICE INDICES	Wed Feb 28	Day's change %	Tue Feb 27	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	114.55	-0.35	114.95	–	2.02
2 5-15 years	121.92	-0.83	122.95	–	2.34
3 Over 15 years	129.52	-1.03	130.87	–	1.46
4 Irredeemables	147.05	-0.75	148.17	–	1.16
5 All stocks	121.93	-0.69	122.77	–	2.16
Index-Linked					
6 Up to 5 years	140.27	-0.20	140.56	–	0.54
7 Over 5 years	134.82	-0.71	135.79	–	0.81
8 All stocks	135.12	-0.67	136.03	–	0.82
9 Debentures & Loans	100.61	+0.06	100.56	–	2.12
10 Preference	79.12	-0.56	79.57	–	1.17

AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 28	Tue Feb 27	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.98	10.89	9.32
2	15 years	10.63	10.50	9.05
3	25 years	10.51	10.39	8.92
4 Medium Coupons	5 years	12.23	[illegible]	10.54
5	15 years	11.06	10.92	9.52
6	25 years	10.63	10.52	9.06
7 High Coupons	5 years	12.36	12.16	10.67
8	15 years	11.26	11.12	9.74
9	25 years	10.78	10.66	9.25
10 Irredeemables†		10.50	10.42	8.83
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.44	4.35	3.40
12 Inflation rate 5%	Over 5 yrs	3.97	3.92	3.52
13 Inflation rate 10%	Up to 5 yrs	3.45	3.39	2.51
14 Inflation rate 10%	Over 5 yrs	3.79	3.74	3.35
15 Debs & Loans	5 years	11.98	13.38	11.92
16	15 years	12.86	12.87	11.27
17	25 years	12.86	12.87	10.71
18 Preference†		11.66	11.59	10.83

♦Opening index 2255.5; 10 am 2261.1; 11 am 2262.0; Noon 2262.2; 1 pm 2257.3; 2 pm 2256.0; 3 pm 2253.8; 3.30 pm 2254.8; 4 pm 2259.2
(a) 11.19am (b) 2.58pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Norfolk Capital Group (29) has been deleted and replaced by Lloyds Chemists (34).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	88	9
Corporations, Dominion and Foreign Bonds	1	8	17
Industrials	310	321	966
Financial and Properties	206	138	355
Oils	20	29	43
Plantations	3	0	7
Mines	44	33	81
Others	58	47	155
Totals	642	664	1,633

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§125	F.P.	–	128	123	ABI Leisure 10p	128		R4.7	3.3	4.9	8.4
–	F.P.	–	508	493	Abtrust New Euro. I. T.	497	-1	–	–	–	–
–	F.P.	–	1½	½	♦Atlantic Res. Warrants	1½	+½	–	–	–	–
100	F.P.	–	101	97	BZW Conv. Inv. Tst. 10p	97		–	–	–	–
100	F.P.	–	97	93	Beta Global Emg. I.T.10p	96		–	–	–	–
–	F.P.	–	28	25	Do. Warrants	27		–	–	–	–
§42	F.P.	–	45	37	*Biocure 1p	40		–	–	–	–
†	F.P.	–	300	300	*Courtwell Group £1	300		K1.0	–	0.4	–
†	F.P.	–	215	215	*Citybond Storage Serv.£1	215		–	–	–	–
–	F.P.	–	4½	1	Courtwell Group Wrrnts.	2½		–	–	–	–
–	F.P.	–	49	37	First Philipns. Inv. Tst.	40	+2	–	–	–	–
–	F.P.	–	22	17	Do. Warrants	18	+1	–	–	–	–
†	F.P.	–	560	525	Five Arrows Chile Fd	[illegible]	-15	–	–	–	–
†	F.P.	–	163	140	Do. Warrants	163	+11	–	–	–	–
$10.6	F.P.	–	644	584	GT Chile Fund Units	584		–	–	–	–
†	F.P.	–	59	52	Gartmore Emg. Pac.10p	54	+1	M0.1	–	0.2	–
†	F.P.	–	26	18	Do. Warrants	23	+1	–	–	–	–
$10.3	F.P.	–	606	572	Genesis Malaysia Maju 1c.	606		–	–	–	–
150	F.P.	–	145	132	Goldsmiths Group 10p	133		R5.1	[illegible]	5.1	12.4
$100	F.P.	–	108	103	Grosvenor Dev. Cap.	104	-2	–	–	–	–
$100	F.P.	–	£66	£63	Hungarian Investment 1c	£66		–	–	–	–
§38	F.P.	–	43	38	*Jetter Store Hldgs. 10p	40		–	–	–	–
100	F.P.	–	103	89	Lon. & New York Cv. Tst.	89	-1	N6.38	–	9.6	–
$10	F.P.	–	616	572	Malaysia Eq. Fd. 10c	584	+7	–	–	–	–
$10	F.P.	–	227	199	Do. Warrants 10c	200		–	–	–	–
–	F.P.	–	508	500	Martin Currie Euro. I.T.	508		–	–	–	–
–	F.P.	–	35	22	Merlin Intl Green Wrnts	26	-2	–	–	–	–
†	F.P.	–	188	182	Midlands Radio 10p	188	+4	4.5	1.4	3.2	10.3
§100	F.P.	–	103	98	♦Mosaic 5p	101	+2	–	–	–	–
90	F.P.	–	93	81	Plateau Mining 20p	85		–	–	–	–
$10.5	F.P.	–	600	550	Scottish Asian Inv Pfg 1c	560	+10	–	–	–	–
§25	F.P.	–	40	25	♦Storm Group 1p	34		–	–	–	[illegible]
†	F.P.	–	16½	12½	♦Surrey Group 5p	13		R0.23	3.3	2.3	12.2
†	F.P.	–	195	190	Sutton Dist. Water A 1p	190		–	–	–	–
†	F.P.	–	138	128	Do. B 1p	128		–	–	–	–
£2400	£1000	–	£1755	£1000	Water Package Units	£1673	-80	–	–	–	–
§70	F.P.	–	79	70	♦Wiltshire Brewery 5p	72		L1.3	–	2.8	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
100p	F.P.	–	117p	109p	BZW Conv. Inv Tst. Units '96-2002 5p	109p	
98.94	F.P.	–	99⅛	93⅝	British Inv. Tst. 11¼pc Sec. Db 2012	93⅝	
–	F.P.	–	85p	71p	Courtwell Group 10¼pc (Net) Cnv.Cm.Pf.	71p	
100¼p	F.P.	–	101½p	95p	Everal 11.25p Cm Rd Prf 2005 10p	100½p	
100p	F.P.	–	98p	96p	Wyndham Group 9.375pc Cm. Prf	98p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
25	Nil	4/4	6pm	3pm	Bellers	3pm	
120	Nil	–	13pm	½pm	Cityvision 5p	1½pm	-½
260	Nil	–	6pm	4pm	Electra Inv. Tst.	6pm	+1
8	Nil	–	4pm	1pm	*Int'l. Comm. & Data 5p	2pm	
5	Nil	27/3	1pm	¼pm	Lowndes Queensway 5p	¼pm	
130	Nil	–	25pm	21pm	♦Microlec	25pm	
85	Nil	–	10pm	5pm	MSM 10p	5pm	-½
100	Nil	–	14pm	14pm	Radiotrust	14pm	
200	Nil	–	70pm	59pm	Roxburgh	61pm	-4
127	Nil	6/3	47pm	12pm	♦Ross Group 10p	12pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 19
- Last Dealings March 2
- Last Declarations May 24
- For settlement June 4

For rate indications see end of London Share Service

Calls in Gaelic Res., Tuskar Res., Aviva Pet., Body Shop, Hambros, Claremont (UK) and Stanley Miller.

LONDON TRADED OPTIONS

OPTION market turnover fell sharply yesterday to less than one third of Tuesday's levels in the absence of large orders and a lack of activity on the underlying market.

Wednesday's volume amounted to 15,716 contracts, of which 9,235 were calls and 6,481 puts. Yesterday's total compared with 52,650 on Tuesday.

Activity was concentrated in the FT-SE 100 index options, which accounted for almost 50 per cent of the day's business. Usually it trades around a quarter. Total FT-SE business amounted to 7,109 lots, of which 3,415 were calls and 3,694 were puts. Yesterday's turnover compared with the 52,650 FT-SE contracts which changed hands on Tuesday, when a huge 26,000-lot order was executed.

The expiry of February FT-SE options was one reason for the pattern of the day's events, although most investors had already closed out their February contracts earlier in the week. One dealer estimated that expiry business accounted for less than half of the FT-SE option turnover.

Indeed, trading in March options proved to be the most popular, indicating that some investors had rolled over their expiring positions, thereby maintaining an exposure to the stock market via FT-SE options. The busiest FT-SE option series were the March 2,400 calls, trading 755 contracts.

In the futures market, trading was busier as dealers reacted to the latest UK trade figures. Initially the futures market fell on the data, moving from a premium over the cash FT-SE index to a discount. But the futures market rebounded, and pulled the underlying index with it.

The futures market closed at a 10-point premium, compared with 16 at Tuesday's close, but above its earlier levels.

Among the stock options, trading was quiet. Cadbury was the most active, following the release of its full-year results. A total of 896 lots changed hands, boosted by a bearish order executed by James Capel. The order comprised the purchase of 350 August 300 puts at 14p and 350 August 330 puts at 29.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*459)	420	50	58	–	2	10	–
	460	22	32	48	16	27	28
	500	7	16	30	44	53	55
ASDA (*110)	100	15	21	23	3	5	7
	110	9	15	17	6	9	11
Brit. Airways (*196)	180	23	26	33	3	6½	8
	200	10	14	22	10	15	18
	220	2	7	13	26	30	31
Brit. Gas (*55)	50	11	14	14½	3	8	8
	60	6	11	11½	12	15	16
SmKl Beecham A (*518)	460	67	82	95	3	7	11
	500	35	53	68	11	19	23
	550	11	27	42	39	44	47
Boots (*268)	260	39	27	35	6	13	15
	280	6½	15	24	15	22	25
B.P. (*339)	300	46	52	60	1½	4	6
	330	22	30	38	6	12	14
	360	6	16	23	23	25	26
British Steel (*136)	135	6	–	–	4	–	–
	140	–	7	9	–	10½	12
Bass (*973)	950	58	87	110	16	28	30
	1000	30	58	80	41	50	55
C & Wire (*523)	500	44	60	80	13	22	28
	550	15	32	52	37	43	50
Courtaulds (*366)	360	22	31	39	9	20	23
	390	8	17	26	28	37	40
	420	3	9	–	57	60	–
Com. Union (*477)	460	21	40	51	18	21	26
	500	9	21	31	43	44	47
GKN (*385)	360	37	48	–	7	13	–
	390	16	30	40	28	33	34
Grand Met. (*572)	550	45	65	78	10	17	22
	600	14	35	48	39	41	44
I.C.I. (*1063)	1000	67	99	117	25	34	42
	1050	33	70	89	48	57	67
	1100	14	45	64	85	89	97
Kingfisher (*285)	280	19	23	31	10	16	21
	300	10	13	21	20	29	31
Ladbroke (*297)	280	27	34	43	4½	1½	12
	300	12	21	33	11	19	21
Land Secur (*475)	460	32	44	55	6½	16	19
	500	12	22	35	29	35	40
M & S (*208)	200	15	21	28	3	7	9
	220	5½	9½	17	14	17	19
	240	1½	–	–	33½	–	–
STC (*252)	240	17	28	35	10	14	18
	260	8½	19	25	22	25	29
Sainsbury (*265)	260	17	23	33	5	10	14
	280	6	12	20	20	20	21
Shell Trans. (*457)	420	50	63	75	4	8	11
	460	20	37	47	14	20	22
Storehouse (*117)	110	13	15	19	4	7	9
	120	6	10	13	8	12	14
Trafalgar (*324)	300	35	40	53	4	11	14
	330	18	24	37	19	24	29
Std. Biscuits (*333)	330	14	26	34	15	18	20
	360	4½	13	21	38	39	41
Unilever (*629)	600	44½	59½	80½	11½	17½	20
	650	14½	31½	50½	38½	42½	44½

Option		Calls			Puts		
Ultramar (*364)	360	20	35	45	16	22	25
	390	8	20	30	38	40	40
Option		**May**	**Aug**	**Nov**	**May**	**Aug**	**Nov**
Brit. Aero (*506)	500	31	50	60	30	37	40
	550	15	30	40	65	70	73
BAA (*394)	390	20	37	50	13	19	24
	420	13	23	–	32	37	–
BAT Inds (*790)	750	65	92	115	13	20	27
	800	30	60	82	34	40	52

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Austrad (*51)	50	4	8	12	3½	6½	7½
	60	1	4	7½	10	12	14
Barclays (*565)	550	20	40	52	18	25	32
	600	4	16	30	57	57	58
Blue Circle (*223)	220	10	15	23	6	15	18
	240	–	7	14	–	28	29
British Gas (*219)	200	31	30	32	1½	4	5½
	220	5	17	18	5	8	13
Dixons (*130)	130	5	11	13	4½	8	11

UK COMPANY NEWS

Funds boosted by £307m value placed on main brands acquired since 1985

Cadbury advances 16.4% in mixed year

By Clay Harris, Consumer Industries Editor

THE LONG hot summer of 1989 was a mixed blessing for Cadbury Schweppes, the confectionery and soft drinks group, which increased pre-tax profits by 16.4 per cent to £251m in that year.

Demand for carbonated drinks to quench British thirsts more than offset a heat-related fall in the appetite for chocolates. As a result of this, and the move to licensing for confectionery sales in the US, beverages accounted for a majority of trading profits for the first time since 1986.

Cadbury yesterday said it was placing a balance sheet value of £307m on the main brands it had acquired since 1985. These include Canada Dry and Crush on the drinks side, Trebor and Bassetts in sugar confectionery, and Poulain in chocolates.

Mr Neville Bain, finance director, said the value was based on the cost of the brands, assessed by their imputed earnings power at the time of acquisition. The total is less than half the total goodwill acquired over the same period, and Cadbury believes the brands are now worth 50 per cent more, although this will not be reflected in the balance sheet.

The decision not to depreciate these assets each year through the profit and loss account will enliven the debate in the UK accountancy profession over the treatment of goodwill.

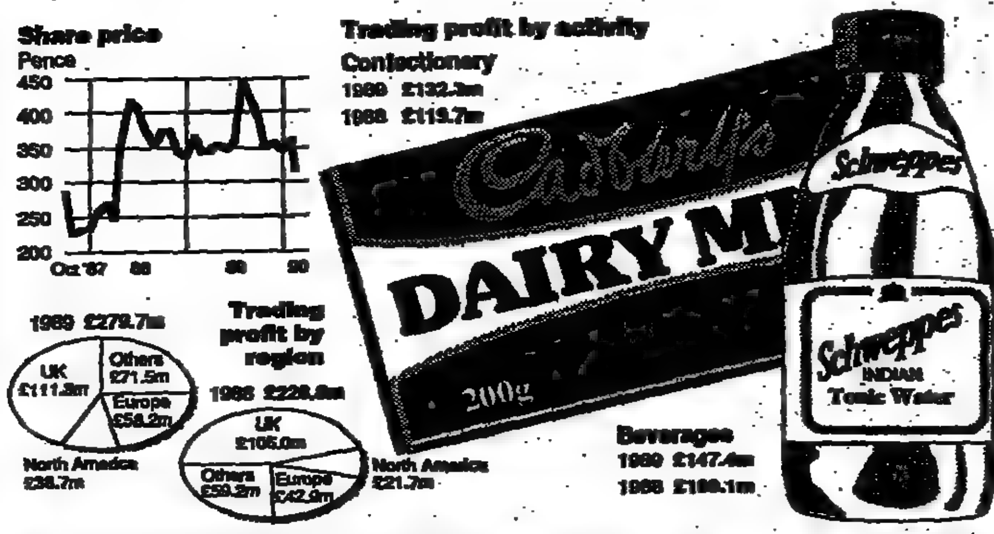
Mr Graham Day, non-executive chairman, said brands had to be supported by heavy marketing and advertising spending. "That of course is expressed through the P&L. To take two hits for the same thing I think stretches credibility."

Putting brands in the balance sheet will double the shareholders' funds which Cadbury otherwise would have reported if it had been obliged to write off all goodwill. This increases the size of deals Cadbury will be allowed to do without seeking approval from shareholders, the largest of which is General Cinema of the US with 16.8 per cent.

The rise in profits from £215.7m was achieved on turnover ahead 19.4 per cent to £2.84bn (£2.38bn) in the 12 months to December 30. Earnings rose to 24.89p (23.47p), although 2.1p of the 1988 figure reflected a one-off ACT credit. A final dividend of 7.9p raises the total to 10.7p (9.2p).

Soft drinks benefited from the addition of Canada Dry, Crush and Sunkist (which is made under licence) and from joint distribution with Coca Cola in the UK and Australia, where Cadbury bought out the minorities in its local operation.

Mr Dominic Cadbury, chief executive, said: "We've moved well beyond our traditional heartland of mixer drinks. We've finally made ourselves a broad-range competitor worldwide." Among the purchases in this sector was TriNaranjus in Spain and Portugal.



Acquisitions enabled Cadbury to jump to first place in UK sugar confectionery with a 26 per cent market share, against only 4 per cent a year ago. Bassett Foods and Trebor, in the accounts for nine months and 1½ months respectively, together contributed £6m. Although their lower margins held back the overall UK confectionery result, a joint selling organisation will be launched later this month.

UK confectionery was hit by product recalls. Cadbury withdrew Nerds, a US sweet distributed under licence, because customers kept reporting they were finding slivers of glass – actually they were lumps of sugar. The affair cost £2m but an insurance claim is pending.

Cadbury also withdrew Turkish Delight and Zousse, a similar product aimed at children, after an unsightly but harmless mould grew in those lines during the unusually hot and humid summer. The recipes have now been changed.

The confectionery business also bore the brunt of a £6m charge for pension liabilities under the new SSAP 24.

Group trading profits grew by 22.2 per cent. Underlying growth accounted for 9.9 per cent; exchange rate changes and net effect of acquisitions and disposals evenly split the remainder. From 1990, Cadbury will use average rather than year-end exchange rates.

Interest payments jumped to £31.4m (£17.5m) because of Cadbury's heavy spending on acquisitions. Net borrowing jumped to £424.4m at the year-end from a £3.2m cash surplus in 1988.

On the strengthened balance sheet, gearing is 62.4 per cent. Interest rate cover fell from 13.1 to 8.9 times, but Cadbury said it was comfortable with anything over five times.

The shares closed 2p lower at 315p.

See Lex

DIVIDENDS ANNOUNCED

Abbey National ......fin	5.7	April	-	5.7	-
AMS Industries ......fin	1	-	1	1.5	1.5
British Kidney ......fin	8.5	-	7	12.5	10.5
Ansbacher (H) ......fin	2.5	Apr 19	2	2.5	2
BWD Securities § ......fin	2.75	-	2.5	3.75	2.5
C'bury Schweppes ...fin	7.9†☆	May 30	6.8	10.7	9.2
Commercial Union ...fin	13.35	May 17	11.75	21.5	19
Creston ......int	0.7†	Apr 3	0.7	-	1.7
Eleco ......int	2.3†	May 4	2.2	-	6.2
First Scot Amer ......fin	14	Apr 30	10.8	21	16.8
Gartmore Value ......int	0.6♥	Mar 30	-	-	-
General Accident ....fin	32.5†☆	July 1	28.5	50	44
Jos Holdings ......int	1.125	-	1	-	4.25
LASMO ......fin	8.25	-	6	11.25	8.5
Manganese Bronze..int	3.5	Apr 6	3	-	7.5
Micro Reprograph....int	1.5†	May 31	1.133*	-	3.383*
Porvair § ......fin	1.8	Apr 12	1.5	2.7	1.8
Sheldon Jones § ......int	1.35	-	1.35	-	4.65
Stat-Plus ......fin	5.75	-	2.25	5.5	3.5
Tozer Kemsley ......fin	3.5	May 16	3	5	4
TR City of Ldn ......int	1.03	-	0.77	-	3.4
Usher (Frank) § ......int	2	Apr 4	2	-	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Carries scrip option. ♥Third interim making 21.4p so far.

ML merges defence arms

By Paul Betts, Aerospace Correspondent

ML HOLDINGS, the aerospace and component distribution company, is consolidating its defence businesses by merging ML Aviation and ML Wallop Defence Systems.

The new concern, based at Andover, Hampshire, will retain the name ML Aviation. The parent company said yesterday the move was designed to produce a unit with the necessary critical mass and technology base to handle complex defence contracts while remaining competitive in the current uncertain defence equipment market. The merger would also involve consolidating machining at one location.

The company said that defence would constitute less than 25 per cent of future group sales and this proportion was expected to decline further as civil aerospace and distribution activities expanded. ML Aviation is a European supplier of airborne weapon carriage and release systems, infra-red and chaff decoy systems and other systems.

It was also announced yesterday that ML Slingsby Group, the Yorkshire-based subsidiary, had won a £14m contract to supply components built in composite materials for the British Aerospace Jetstream 41 turboprop aircraft.

Bid to oust Headlam chairman

By Nikki Tait

A battle could be brewing at Headlam Group, the small safety and sports footwear group, following news yesterday that four shareholders have requisitioned an extraordinary general meeting to oust the group's chairman, Mr John Chaplin, and deputy chairman.

The shareholder group is headed by Mr Mark Vaughan-Lee who, in conjunction with fund managers MIM, has been involved in a number of shell-style situations, like American Distributors and American Business Systems. Mr Vaughan-Lee, currently abroad, was not for comment.

Headlam – which has met some of the dissidents – declined to elaborate on any schemes mooted, but confirmed that the shareholder group controls about 24 per cent of the equity.

Headlam shares are currently suspended, ahead of a planned reverse takeover by Cadogan Oakley, a men's accessories and furniture group. They were expected to resume trading in April.

Cutting market claims down to size as investigation begins

David Owen looks behind the mass of conflicting statistics surrounding the lawnmower industry

AS BOTH the Office of Fair Trading and the Department of Trade and Industry have discovered to their frustration in recent months, the £180m UK lawnmower and lawn tractor market is a riot of claim and counter-claim and a morass of conflicting information.

This may account for the differing conclusions drawn by Mr Nicholas Ridley and Sir Gordon Borrie as to whether or not Ransomes' £9m purchase of Westwood, the Plymouth-based maker of garden tractors, warranted referral to the Monopolies and Mergers Commission.

Certainly, the industry secretary took account of what he termed the "uncertainties" encountered by the director general in establishing the relevant market shares.

These uncertainties have traditionally focused on the ongoing tussle for market leadership between Qualcast and Flymo, whose estimates of the state of play have at times diverged markedly.

But accurate information on the smaller manufacturers appears no easier to come by. Mr Bob Dodsworth, Ransomes chief executive, would say only that Westwood has a "good" share of the domestic ride-on mower market when questioned yesterday.

Certain characteristics and trends of the market appear beyond dispute. Electric mowers have the lion's share in volume terms, although their dominance shrinks when measured by value owing to their relatively low unit-cost.

Similarly, air cushion or "hover" machines have undoubtedly gained share in recent years at the expense principally of cylinder models.

A comprehensive study of the gardening business by Euromonitor, the London-based market research company, aims inter alia to shed light on some of the murkier corners of the UK grass-cutting machinery sector.*

For example, it puts Westwood's share of the fast-growing £20m lawn tractor market at 55-60 per cent – good by any standard. Very likely, it would provide illuminating reading for statistics-starved OFT and MMC officials.

Westwood's nearest rival, according to the study, is Lawnflite, a US import distributed by EP Barrus with 20 per cent, followed by Atco with 10 per cent. Unit sales in 1988 were some 15,000. The market was expected to expand in value terms in 1989 by as much as 25 per cent.

In lawnmowers, the outlook was less rosy with sales projected to fall to £155m in 1989 from £165m a year earlier. This translated in unit terms into a decline of 8 per cent from 1.8m to 1.65m units.

Electric models accounted for 83 per cent of unit sales, against 13 per cent for petrol mowers and 4 per cent for hand-driven brands. In value terms, the share of electric mowers was 59 per cent, versus 40 per cent for petrol and just 1 per cent for hand-driven units.

Unfortunately, the study does little to resolve the Qualcast-Flymo struggle. In unit terms it gave Flymo a marginal lead of 33 per cent to 32 per cent, with Black and Decker claiming a 21 per cent share in third place.

In value terms the situation was reversed, with Qualcast claiming 27 per cent versus 25 per cent for its arch-rival.

The high average unit costs of the machines produced by GD Mountfield, another Ransomes subsidiary, pushed its share to 15 per cent, on a par with Black and Decker. Honda and Hayter were credited with 6 per cent each.

Gardening into the 1990s, published jointly by Garden Trade News International and Euromonitor. Price £1,095.

Goward resigns from Charterhall

By John Thornhill

MR RUSSELL GOWARD has resigned as executive chairman and joint managing director of Charterhall, the listed UK subsidiary of Westmex, the Australian investment group which went into liquidation last month.

Mr Goward has returned to Australia to concentrate on sorting out the problems left by the Westmex liquidation, while discussions are currently being held over Westmex's 59.6 per cent shareholding in Charterhall. There is, however, no question that Charterhall will go into receivership, according to the company, as its debt – estimated at about £75m – has been taken over by the Bank of New South Wales.

Charterhall said yesterday that the company's business would continue as normal and that its shares would be relisted once the Westmex situation had been resolved. The shares were suspended last December when Westmex entered into emergency talks with its bankers.

Mr Goward did not have a day-to-day operational role at Charterhall and his functions were mainly confined to strategic development.

Charterhall also announced yesterday that it was selling its 19.9 per cent stake in A Goldberg, the retailer, to Fletsand Investments for £2.31m. This is at a considerable discount to the stake's book value which stands at £6.67m. Charterhall will retain a 10 per cent holding.

The disposal represents a further move in Charterhall's policy of paring down its non-core assets.

Few fans at Manchester Ship meeting

By Martin Regan

THE BOARD of the Manchester Ship Canal Company found few friends among those attending its 132nd agm yesterday, in spite of recording the best results in the company's long history.

During the often bad-tempered meeting, the small shareholders made it clear that the bitter legacy of the 1986 battle, when Mr John Whittaker won control, would not go away.

Mr Robert Hough, chairman, faced a barrage of hostile questions, mostly about the company's non-dividend policy. Mr Hough said it was a matter of prudent financial planning to conserve cash resources.

Praising the advances in port operations, he said the abolition of the Dock Labour Scheme had had a major impact on efficiency. However, tougher times lay ahead.

Mr Hough also defended the company's wish to raise authorised borrowing powers by £45m, despite already having facilities to borrow on land valued at about £100m.

He said that the current share price, which had given all shareholders significant capital gain, reflected a number of property schemes still in the planning stage.

By the time these projects were off the drawing-board, gearing could be as high as 75 per cent, he said.

During the meeting, it emerged that the company's pension fund had a surplus of about £10m. However, this did little to satisfy the small shareholders.

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NOTICE TO HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

KINKI NIPPON RAILWAY CO., LTD.

issued in conjunction with
U.S.$200,000,000 4½ per cent. Bonds due 1994
("94 Warrants")
and
U.S.$200,000,000 5⅝ per cent. Bonds due 1993
("93 Warrants")

NOTICE IS HEREBY GIVEN that, as a result of the issuance of additional shares by free distribution of shares of common stock to shareholders appearing on the register of shareholders as of 31st March, 1990 (Japan time) at a ratio of 0.03 new shares for each one share held, the Subscription Prices of the respective Warrants will be adjusted pursuant to clause 3 (i) of the Instruments relating to the Warrants referred to above, as follows:

1) Subscription Prices before the adjustment:
94 Warrants — Yen 991.00 per share
93 Warrants — Yen 1,200.00 per share

2) Subscription Prices after the adjustment:
94 Warrants — Yen 962.10 per share
93 Warrants — Yen 1,165.00 per share

3) Effective date of the adjustment:
1st April, 1990 (Japan time)

KINKI NIPPON RAILWAY CO., LTD.
By: The Mitsubishi Bank, Limited as Principal Paying Agent

1st March, 1990

UK COMPANY NEWS

LASMO doubles to £60m as oil prices strengthen

By Andrew Bolger

LASMO, the independent oil company, yesterday reported that profits after tax had more than doubled to £60m in the year to December 31 and announced a one-for-two scrip issue.

Mr Chris Greentree, chief executive, said higher production for the year, together with increased crude oil prices and a stronger US dollar, combined to produce an increase in turnover from £150m to [illegible].

Oil prices strengthened during 1989 and the average sterling price per barrel of £10.76 showed a 26 per cent increase over the previous year's average of £8.54.

The board recommended an increased final net dividend of 8.25p per share. The total dividend will therefore be 11.25p, an increase of 32 per cent.

Cash flow from operations after tax more than tripled to £147m and at the end of 1989 net indebtedness amounted to just over £14m. Underlying this net debt, the average maturity of debt had been increased from two to eight years.

Lasmo's performance was also helped by a good return on the Elf Aquitaine loan notes, obtained in return for the 25 per cent stake in Enterprise which it sold to Elf at the end of 1988. The loan notes netted £48m over the year.

The company's £358m acquisition of Thomson North Sea at the beginning of last year and the continued international diversification of exploration interests combined to produce a significant increase in reserves of oil and gas. Net proven and probable reserves rose by 68 per cent to 433m barrels.

Capital expenditure of £142m increased substantially from the previous year's figure of £60m, reflecting higher commitments to both North Sea activities and to an expanded international drilling programme.

Trevor Humphries

Chris Greentree: higher crude prices and stronger dollar helped

The group plans to spend £125m on exploration next year, £100m of which will be spent overseas.

An accounting change relating to amortisation of reserves was responsible for £6m of the profits increase.

Subject to shareholders' approval, the bonus shares will start trading on April 26. They will not receive the 1989 final dividend.

● COMMENT

News of the scrip issue and unexpectedly high dividend increase sent the shares up from 619p to 632p, but they closed down 4p on the day at 615p because hoped for news of the Westray well near the Piper Field did not materialise. Leaving aside such short-term fluctuations, the shares have clearly come a long way since the dark days of early 1988, when they languished just above 200p. Lasmo has done well in the past year from currency movements and oil discoveries, but the increasing strength of its balance sheet and continued high spending on exploration suggests that it could continue to thrive. Even at their current level, Lasmo shares show no sign of a bid premium, but Lasmo's combination of exploration prospects and reserves could prove most attractive to one of the oil majors – particularly if the oil price strengthens in line with industry expectations.

Manganese Bronze ahead 20%

By Nikki Tait

MANGANESE Bronze Holdings, best known as the London taxi cab manufacturer but also with interests in metal products, yesterday reported a 20.7 per cent increase in pre-tax profits from £2.3m to £2.78m for the six months to end-January.

The increase comes after fairly static profits in 1988-89, and was scored on turnover of £40.2m (£30.7m).

At the earnings per share level the improvement was a slightly lower 18.6 per cent to 10.75p (9.06p). This reflected a full tax charge, against 33.5 per cent last time.

The interim dividend goes up from 3p to 3.5p.

The company said that subsidiaries were largely unaffected by the economic downturn during the first half.

Within the powder metals division, the only significant casualty was the self-lubricating bearings business, which has a fairly general customer base and saw demand depressed.

Elsewhere, Manganese said that the more specialised nature of its products provided protection.

The taxi division saw production rise to 70 vehicles a week, compared with about 60 at a similar stage last year, with increased demand coming from both the UK and overseas.

A 4 per cent price increase was put through in early February, and Manganese said that so far high mortgage rates have not seriously impinged on domestic demand.

However, it remains slightly cautious about the second half outlook.

In the foundries division, order books, the company said, are healthy, with Dean Powered Doors receiving a letter of intent for 8,000 doors from the London Underground.

The shares gained 8p to 281p yesterday.

Conroy Petroleum

Conroy Petroleum and Natural Resources, the USM-quoted Irish company, will be transformed into a major international lead-zinc producer if, as expected, it goes ahead with a $70m underground mine at Galmoy, County Kilkenny, said Mr Richard Conroy, chairman, in his annual statement.

Final feasibility and environmental impact studies will be completed soon and the company is consulting financial advisers about the most appropriate means of raising finance for the project, he said.

$23.25m US fruit and veg purchase for Polly Peck

By Vanessa Houlder

POLLY PECK International, the electronics and fresh produce group, yesterday announced the acquisition of SFV, a Dallas-based fruit and vegetable distributor for $23.25m (£13.8m). It is also buying a property used by the business for $6.9m (£4.1m).

The acquisition is expected to strengthen the presence in the southern US market of PPI which already has food marketing companies on the West Coast, in New York and in the north east.

It is also expected to enhance its purchasing power while enabling SFV to expand its market and enlarge its pre-packaged produce.

The deal is a further step towards the integration of PPI's fresh produce business.

It aims to source, market and deliver a wide variety of fruit and vegetables regardless of seasonality to most parts of the world.

In 1989 SFV made unaudited pre-tax profits after non-recurring items of $3.6m. Net assets on August 31 were $10.5m.

The payment will be satisfied by 4.85m new shares which will be placed outside the US.

General Accident halved to £147m

By Patrick Cockburn

PRE-TAX profits were halved to £147m at General Accident, the Scottish-based composite insurer, in 1989. The worse than expected decline from 1988's £294m resulted in a 40p fall in the share price to 1065p.

The downturn is explained partly by exceptional factors such as Hurricane Hugo which cost £74m, but the fourth quarter also saw a sharper than expected deterioration in the underwriting result in the UK and Canada.

The market was also disappointed by the lower than expected increase in the final dividend to 32.5p (28.5p), making a 14 per cent rise over the year to 50p.

In the UK, fourth quarter underwriting losses of £30.8m (£8.8m profit) reduced the underwriting profit for the year to £4.7m, against £45.8m in 1988.

Mr Scott Robertson, general manager, said the fourth quarter loss of £16m in the UK motor account offset profits earlier in the year. This was because of an increase in the level and frequency of claims, particularly those involving bodily injury, in the commercial motor account. GA had changed its reserving policy to meet future claims.

In Canada, severe weather and losses on a pool for motorists who cannot get insurance elsewhere, increased losses to £20.4m (£7.3m).

US losses increased sharply because of Hurricane Hugo, but there were few claims from the San Francisco earthquake.

NZI Bank ended the year with a deficit of £47.6m (£16.9m), but showed improvement in the fourth quarter.

Investment income jumped to £462.7m (£352.7m). Earnings per share were 65.3p (107.6p).

CU meets expectations with £150.5m

COMMERCIAL UNION, the UK composite insurer, made pre-tax profits of £150.5m in 1989, down 25 per cent on the previous £201.8m but well in line with expectations, writes Patrick Cockburn.

Earnings per share also fell 25 per cent, to 21.7p (28.9p), but the dividend is raised from 19p to 21.5p, with a final of 13.35p.

Mr Tony Brend, chief executive, explained that the company's strong financial position justified that.

The fall in profits was largely attributed to severe weather, with Hurricane Hugo and other exceptional weather claims in the US costing the company an extra £39m.

Underwriting results in the UK deteriorated sharply to record a loss of £8.1m, compared to profits of £40.8m in 1988.

The life business increased profit by 12 per cent to £102m.

A strong investment performance and substantial currency gains raised shareholders funds in the year by £439m to £1.7bn. Net assets per share rose by 33 per cent to 400p.

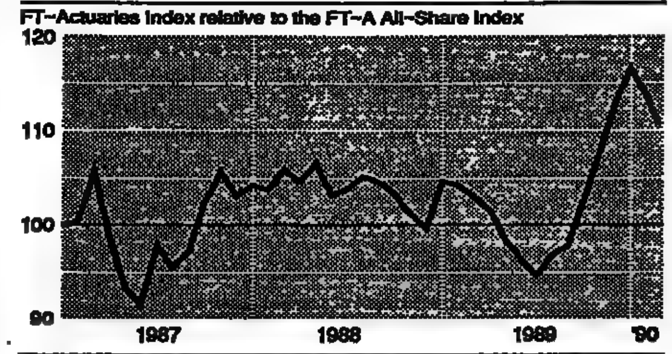
In the UK, which contributes 39 per cent of total premiums, life profits increased by 22 per cent to £43.5m (£35.6m). The non-life side was hit by increased competition and there was a higher level of big claims in all commercial classes of business. Subsidence claims cost £4m more than in 1988.

In the Netherlands there was an improvement in non-life results with pre-tax profits increasing to £74.6m (£56.9m).

The overall underwriting loss almost doubled to £245m (£129.9m) but investment income rose to £276.8m (£235.1m).

Insurance Composite

FT-Actuaries Index relative to the FT-A All-Share Index



See Lex

UK COMPANY NEWS

Leigh Interests raising £35.6m via rights issue

By Richard Tomkins, Midlands Correspondent

LEIGH INTERESTS, the West Midlands-based waste disposal group, is tapping shareholders for £35.6m to wipe out borrowings and fund its next three years of development.

It is raising the money through a one-for-three rights issue of 12.6m new shares at 290p apiece, underwritten by Kleinwort Benson.

Leigh accompanied the cash call with a profits forecast of £8.3m (£6m) for the year to March 1990. Basic earnings per share, it said, would rise 21.7 per cent to 16.8p, and the final dividend would be 4.88p (4.2p).

The existing shares dropped 17p from Tuesday night's close of 362p to end the day 1p above the notional ex-rights price at 346p.

Leigh said it was raising the money because the demand for its services would rise as a result of the Environmental Protection Bill now progressing through Parliament. This imposes a duty of care on producers of waste, charging them with greater responsibility for the safety of its ultimate disposal.

The group also expects growth in demand because of the expected cut in the volume of waste material allowed to be discharged in the North Sea. Significant growth, too is expected in the clinical waste incineration market as hospitals are obliged to meet the same level of standards at present required of the private sector.

Leigh has just won permission to bring its high temperature clinical incinerator at Dudley, West Midlands – Britain's first – into full operation, and is now applying for planning permission to build four more.

Malcolm Wood: opportunities in waste disposal sector

The rights issue proceeds, Leigh said, would be used to finance this expansion. It would also be used to pay for the installation of new plant for the treatment of organic waste, to upgrade existing operations, and to continue the group's policy of acquiring complementary operations.

Mr Malcolm Wood, chairman, said Leigh was positioning itself to take full advantage of the exciting opportunities in the waste disposal sector.

In the short term, the cash will eliminate Leigh's 50 per cent gearing by wiping out bank borrowings of £16.9m, leaving more than enough net cash to cover finance lease obligations of £7.8m.

The high rating given to Leigh's shares, which at last night's close were on a p/e multiple of 21, means the rights will have the effect of enhancing earnings per share.

Takeover approach to British Kidney

By Nikki Tait

VIRTUE MAY bring an added reward for the 200-odd shareholders in The British Kidney Patient Association Investment Trust. The fund, due to be wound up by April, has received an unsolicited bid approach.

Mr Raymond Cazalet, chairman, declined to say whether the would-be bidder wished to continue the company as an investment trust or was more interested in its stock market quotation.

But he added that if the discussions did lead to an offer being made, the board would hope to better the return which shareholders would get from a liquidation. After the expenses of winding up the trust, he suggested, this might amount to 96 or 97 per cent of net asset value.

The fund is one of the smallest – if most worthy – trusts on the market, with assets of about £2m. It was formed in late-1982, with a capital structure comprising loan notes and ordinary shares.

The trust was given a seven-year life, and was therefore due to be wound up between end-1989 and end-April 1990. Over the period, the ordinary shares have risen from 100p to yesterday's level of 305p, up 10p on the day.

Results from the trust, published yesterday, showed net asset value at end-1989 of 327p per share, compared with 265p a year earlier. The trust said that the portfolio has become increasingly liquid ahead of the anticipated wind-up, but declined to put a figure on the current percentage in liquid assets. The final dividend is 8.5p, for a total of 12.5p (10.5p).

Akeler rises 35%

Akeler Holdings raised pre-tax profits by 35 per cent from £680,000 to £920,000 in the year to September 30, reflecting progress in its two main divisions, steel and property. Turnover rose from £9.43m to £14.34m.

41% increase enables Ansbacher to top £10m

By David Lascelles, Banking Editor

HENRY Ansbacher Holdings, the City merchant banking group, lifted pre-tax profits by 41 per cent to £10.14m in 1989.

In addition it also realised an extraordinary profit of £5.9m, raising to £12.5m the total after tax profit attributable to shareholders.

That gain resulted mainly from the sale of insurance broking interests in the UK and the US, following the decision last year to concentrate on core activities of merchant and offshore banking.

Merchant banking produced disclosed pre-tax profits of £9m, up 45 per cent. Mr Richard Fenhalls, group chief executive, said the three principal operating divisions – corporate finance, banking and treasury – had an active year, and the asset trading division which deals in Third World loans, completed its first full year with excellent profits.

The offshore banking and trust management division made "a significant contribution" to merchant banking profits. The group's New York-based mergers and acquisitions team specialising in the media executed 45 transactions.

Mr Fenhalls said the group's restructuring was now complete but its highly liquid position placed it well to take advantage of new opportunities. "We've room for growth, but we are in no hurry," he said.

The average life of the bank's loans was two years. The book had less than 20 per cent in the property market, and some exposure to shipping.

Mr Fenhalls said the close association with Groupe Bruxelles Lambert and Pargesa, which between them control 62 per cent of the company, placed it well to build up a European mergers and acquisitions business.

The single dividend for the year will be 2.5p, up from 2p. Earnings were 3.5p (2.6p).

Countyglen recovers

Countyglen, the Dublin-based property investor, returned to profit in the half-year ended October 31 1989 with I£445,000 (£414,000), compared to a loss of I£275,000.

The trading deficit was reduced to I£49,000 (I£275,000) and then offset by an exceptional credit of I£494,000. Earnings were 11.5p (loss 10.1p).

It is anticipated that the Patrick Street premises will be sold, and the 22,000 sq ft factory at Tallaght re-let.

The directors said that studies into possible acquisitions continued.

NWF makes £0.3m

NWF, the animal feed manufacturer and fuels distributor, boosted taxable profit from £88,000 to £315,000 in the half-year to November 30. Sales rose to £14.78m (£13.18m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Admiral Computing, Macro 4, Polypipe.

Finals- AAF Investment, ASW, Freemans, Murray International Trust, Philips Lamps, Tilbury.

FUTURE DATES

Interims-	
Precious Metals Trust	Mar. 13
Savage	Mar. 22
Finals-	
Allied Partnership	Mar. 27
Seamore Intl	Apr. 3
Brixton Estate	Apr. 11
Creata	Mar. 6
Glynwed Intl	Mar. 15
Mersey Docks & Harbour	Mar. 7
Microvitec	Mar. 8
Sharpe & Fisher	Mar. 21

PUBLIC WORKS LOAN BOARD RATES

Effective February 28

Years	Quota loans repaid by EIP†	Quota loans repaid by ANN††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid by ANN††	Non-quota loans A* repaid at maturity§
1			14⅛			15
Over 1 up to 2	14	14	13½	15	15	14⅛
Over 2 up to 3	13⅝	13½	12¾	14⅝	14½	13½
Over 3 up to 4	13⅛	13	12½	14⅛	14	13¼
Over 4 up to 5	12⅞	12¾	12⅜	13⅞	13¾	13⅛
Over 5 up to 6	12¾	12⅝	12¼	13¾	13⅝	12¾
Over 6 up to 7	12⅝	12½	12⅛	13⅝	13	12⅝
Over 7 up to 8	12½	12⅜	12	13	12⅞	12½
Over 8 up to 9	12⅜	12¼	11⅞	12⅞	12¾	12⅜
Over 9 up to 10	12⅜	12¼	11⅝	12⅞	12⅜	12⅛
Over 10 up to 15	12	11⅝	11¼	12½	12⅛	11¾
Over 15 up to 25	11⅜	11⅛	10⅞	11⅞	11⅝	11⅜
Over 25	11	10⅞	10¾	11½	11⅜	11¼

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
2nd qtr.	109.7	112.6	92.0	118.7	122.7	2,304	265.2
3rd qtr.	110.8	116.1	89.4	120.1	126.9	2,228	244.3
4th qtr.	109.9	116.7	89.8	121.0	135.4	2,101	241.6
1989							
1st qtr.	109.7	118.9	89.1	121.9	126.4	1,932	232.8
2nd qtr.	109.6	119.5	93.8	122.8	132.7	1,836	222.4
3rd qtr.	111.1	120.8	96.5	121.5	134.7	1,748	220.3
4th qtr.	111.7	120.2	96.5				
February	109.2	118.5	35.9	121.9	126.6	1,949	229.9
March	110.1	118.9	36.7	122.4	127.4	1,917	234.9
April	110.8	119.1	34.7	120.7	131.6	1,852	223.5
May	109.5	119.8	34.1	124.3	129.4	1,820	219.5
June	109.2	119.6	34.8	121.4	133.9	1,810	224.4
July	110.1	118.5	34.6	120.8	136.5	1,757	220.8
August	111.8	122.7	36.2	121.4	134.6	1,745	218.5
September	111.2	119.8	36.5	122.1	135.9	1,694	220.7
October	112.1	122.7	36.6	121.6	140.2	1,674	214.6
November	111.9	120.2	36.7	121.1	152.5	1,675	209.5
December	111.8	120.6	36.5	122.4	165.5		

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1988							
2nd qtr	111.7	109.7	105.9	111.6	129.8	99.0	22.3
3rd qtr	114.2	112.7	109.3	114.9	135.1	95.9	20.4
4th qtr	114.2	115.1	108.5	115.8	134.2	96.7	18.4
1989							
1st qtr.	114.9	118.8	108.9	118.2	139.1	100.8	17.3
2nd qtr.	116.5	121.1	102.6	120.5	132.7	98.6	18.8
3rd qtr.	114.8	124.6	104.5	122.9	128.2	95.9	14.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL- Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

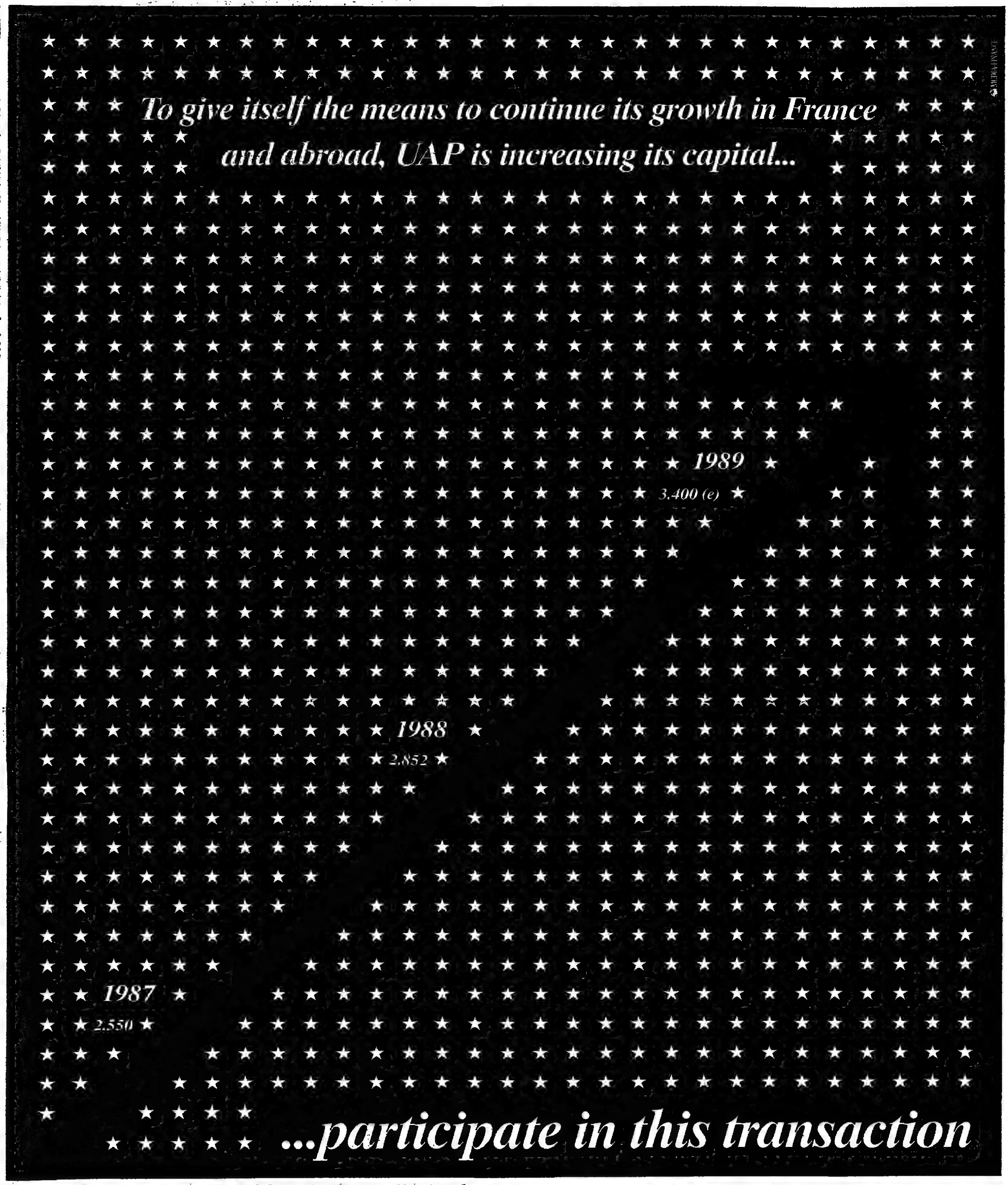
	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION- Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	107.2	108.9	117.0	114.3	109.8	2,019	95.4
May	107.6	104.7	118.2	115.0	110.3	2,010	94.2
June	108.1	104.7	118.8	115.4	110.7	2,027	91.1
July	110.2	102.4	119.0	115.6	110.1	1,940	92.2
August	109.1	102.7	119.8	115.8	110.8	1,902	91.5
September	110.7	105.8	120.0	116.6	111.2	1,880	91.3
October	113.7	106.1	120.8	117.6	112.4	1,869	89.7
November	113.6	18.5	120.0	118.5	112.5	1,853	87.9
December				118.6		1,815	85.5
1990							
January				119.5		1,816	85.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.



Consolidated net income in millions of FRF (excluding minority interest) — (e): estimated

Capital increase by the issue of 16 800 000 new shares with a nominal value of FRF 10. **Issue price :** FRF 625. **Dividend rights from :** January 1990. **Subscription period :** from 26 February to 15 March 1990. Official listing for the monthly account will be contemplated for the shares upon the closing of subscriptions.

UAP

GA

General Accident

RESULTS FOR 1989

The audited accounts for the year to 31st December 1989 will be published on 9th April 1990, but preliminary and unaudited figures for 1989, with actual figures for 1988, are as follows:-

	1989 £M	1988 £M
Premium Income		
General Business	3,100.2	2,554.1
Long Term Business	381.3	292.5
	3,481.5	2,846.6
Investment Income	462.7	352.7
NZI Bank Result	(47.6)	(16.9)
Estate Agency Result	(20.5)	1.2
Underwriting – General Business Result	(203.8)	(32.8)
Long Term Business Profits	26.9	17.8
	217.7	322.0
Less Interest on Loans	64.5	20.3
	153.2	301.7
Less U.K. Employee Profit Sharing Scheme	6.2	7.6
Profit before Taxation	147.0	294.1
Taxation – U.K. and Overseas	32.1	80.3
Profit after Taxation	114.9	213.8
Minority Interests and Preference Dividends	(13.7)	(0.7)
	128.6	214.5
Long Term Business Profits – GA Life 1988 Valuation	9.5	–
Profit for the year available to Ordinary Shareholders	138.1	214.5
Earnings per Share	65.3p	107.6p
Dividend per Share	50.0p	44.0p
Net Assets per Share	1198p	915p
Principal exchange rates used in translating overseas results		
U.S.A.	$1.61	$1.81
Canada	$1.87	$2.15

Notes

(1) The result is stated after a notional contribution to the UK Pension Funds of £15.6m (1988 – nil) in accordance with SSAP 24.

(2) The transfer of shareholders' profit from the long-term business fund is now stated gross of taxation and on a current year basis (1989). The transfer arising from the GA Life 1988 valuation is stated net of taxation.

(3) Investment income excludes £12.6m (1988 £10.4m) representing amortisation of *U.S. deep discount bonds which under the U.S.A. accounting conventions would be credited to earnings.*

(4) The above figures include the results of the NZI Corporation Limited with effect from its acquisition on 26th July 1988.

(5) The NZI Bank result includes gains and losses both realised and unrealised on investments held for trading purposes.

Analysis by Territory of General Business Premium Income and Underwriting Result

	1989 Premium Income	1989 Underwriting Result	1988 Premium Income	1988 Underwriting Result
	£M	£M	£M	£M
U.K.	1,043.5	4.7	945.7	45.8
U.S.A.	918.4	(84.4)	812.2	(41.9)
EEC other than U.K.	171.9	(25.4)	141.4	(14.8)
Canada	377.3	(20.4)	292.1	(7.3)
Pacific Basin	356.4	(21.8)	174.7	(1.4)
Other Overseas	105.7	(6.8)	81.3	(0.9)
London Market Business incl. internal reinsurance	127.0	(50.7)	106.7	(12.3)
	3,100.2	(203.8)	2,554.1	(32.8)

Life Department

There was an increased contribution to profit and loss account from our long term funds, which also recorded UK new business production as follows:

	1989 £M	1988 £M
New Life and Annuity Premiums		
Annual	53.2	46.7
Single	41.7	36.6

New business Single Premiums include £7.9m Department of Social Security payments in respect of personal pensions.

Final Dividend for the year ended 31st December 1989

The Directors have decided to recommend to the shareholders at the Annual General Meeting to be held on 2nd May 1990, a final dividend on the Ordinary Shares of 32.5p per share (1988 28.5p) payable on or after 1st July 1990, to shareholders on the Register of Members at close of business on 27th April 1990. The total dividend for the year of 50.0p per share (1988 44.0p per share) will cost £106.5m (1988 £92.4m). The Directors propose to continue the scrip dividend arrangement.

Net Assets

The net asset value of the group at the year end was £2,552m (1988 £1,922m).

Establishment of New Holding Company

The Board intends to put forward proposals to establish a new non-insurance holding company for the Group by way of a Scheme of Arrangement. As part of these proposals it is intended that all the 250,000 5.5 per cent, cumulative preference shares of £1 each in the Corporation be repaid at par in accordance with their rights.

Details of these proposals, together with Notice of the necessary meetings to implement the Scheme of Arrangement, will be circulated in due course.

General Accident Fire and Life Assurance Corporation plc.
World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH.

UK COMPANY NEWS

TKM accelerates to over £52m

By John Thornhill

TOZER KEMSLEY & Millbourn (Holdings), the motor group in which Sir Ron Brierley's IEP has a controlling interest, increased pre-tax profits by 19 per cent to £52.62m in 1989.

Turnover topped £1bn for the first time, advancing 9 per cent from £984.6m to £1.07bn.

As has become the group's normal practice, TKM gave out little information about the relative performance of its operations as it prefers to spell out the details in its annual report.

But Mr Reg Heath, chief executive, attributed the profits growth to a very sound all-round performance. TKM runs 75 car retail outlets covering a wide spread of franchises.

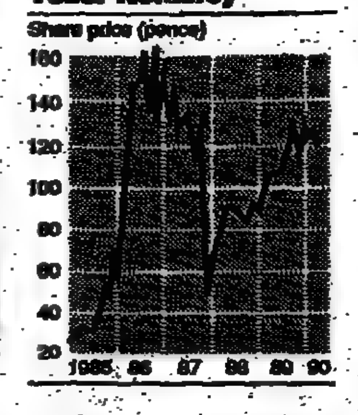
It sells about 40,000 cars a year through these outlets making it one of the largest car distribution groups in the UK, but it also has the import concessions for Ferrari, Daihatsu, Alfa Romeo and Mazda.

Over a quarter of TKM's profits came from its activities overseas, mainly on the continent and in Australasia.

Reg Heath: a very sound all-round performance

Mr Heath said that sales had been strong before August but had fallen off since then and had been pretty flat in the last three months of 1989.

He said that used-car prices had declined particularly sharply at the end of the year. *Demand for second-hand cars had fallen while supplies had increased following the strong new-car sales in August.*



The final recommended dividend of 3.5p will bring the total to 5p (4p), an increase of 37 per cent. Fully diluted earnings per share worked out 24 per cent higher at 14.5p (11.7p).

Interest payments increased to £8.49m (£7.14m), although the tax rate was comparatively lower at £16.34m (£15.61m).

Commenting on TKM's current trading position, Mr Heath said: "Generally, the market is pretty dead at the moment. The past two to three years have been relatively easy for people but now we are seeing *the likelihood of a small downturn.* But the market will still be over two million cars."

During the year, IEP increased its shareholding in TKM to 74 per cent.

Mr Heath said he did not know whether Sir Ron Brierley intended to increase the stake. "But it does not make a scrap of difference to how many cars we sell or how we run the business," he said.

TKM has been seen as a flagship for IEP's interests in the UK and represents its only major operating business in the country. Three IEP directors sit on TKM's board of seven but the day-to-day management is left to the company's executives.

IEP said yesterday: "TKM is in the motor business and is an excellent performer in that field but from our perspective it will stick to its knitting. It *will not be the vehicle for all* our UK investment activities."

Shareholder unrest surfaces at UTC agm

By Clay Harris

SHAREHOLDER concern about UTC Group's poor 1989 results surfaced at yesterday's annual meeting. The stockbroking and property services company's accounts were approved on a split vote after the board faced pointed questions from the floor.

UTC lost £396,501 before tax last year, as a result of £5.1m in provisions taken against the value of the company's listed investments. Nearly £2m of this total was taken as an exceptional item, with the rest subsumed in cost of sales.

This treatment was one reason four shareholders voted against the accounts, which were audited by Arthur Andersen, with another 10 raising their hands to abstain. Directors accounted for six of the 20 votes in favour.

Mr Jonathan Harris, chairman, defended the record of UTC Securities, which lost £80,485 on stockbroking activities in 1989. "I think shareholders should be delighted with the performance," he said. "Compared with other stockbrokers, I think they have been performing remarkably well. It is a main core business of the group."

Shareholders, with three dissenters, also voted to change the company's name to Carlisle Group, in part because of the unfavourable publicity the UTC name had attracted, Mr Harris said. The shares will move from the USM to a full listing.

Mr Harris explained: "We would have quite liked the name Carlos Group [after the company's registered address in Mayfair], but that did have certain Spanish and terrorist connotations, so Carlisle was the nearest we could get."

Whitegate £2m buy

Whitegate Leisure has purchased the Empire Amusement Arcade and a development site in Cleethorpes, Humberside, for some £2m. The development site, on which Whitegate intends to build another amusement arcade, is adjacent to its Pier 39 discotheque.

NEWS DIGEST

Porvair to seek acquisitions

MR JOHN Morgan, chairman of Porvair, yesterday said the USM-quoted microporous plastics manufacturer expected organic growth in the current year and was seeking acquisitions.

The statement came as the USM-quoted group announced pre-tax profits down 44 per cent to £758,000 (£1.35m) for the year to November 30. "Corrective action has been taken" he said. The outlook for 1990 and beyond "looks most promising."

The news bore out the warning at the interim stage from Mr Joseph Clegg, the former chairman, that the second half was unlikely, as traditional, to generate the bulk of the company's profits.

Turnover showed a modest rise to £12.7m (£12.13m). Earnings per 2p share dipped from 13.8p to 6.3p, but the recommended final dividend is maintained at 1.8p, for a total of 2.7p (1.8p) for the year.

Sheldon Jones rises 31% to £147,000

A 31 per cent expansion in interim profits was reported yesterday by Sheldon Jones, the USM-quoted pet food manufacturer and crop products distributor.

In the seven months to end-December, pre-tax profits amounted to £147,000, up from £112,000 in the corresponding six month period of 1988, and were struck after an exceptional debit of £95,000.

Turnover, reflecting the disposal last summer of the agricultural division, fell to £4.75m (£6.95m). The interim dividend is maintained at 1.35p, from earnings of 1.8p (1.5p).

All-round growth lifts Grafton 73%

Grafton Group, the Dublin-based manufacturer and retailer of DIY and building materials, reported a 73 per cent gain in pre-tax profit, from I£2.19m to I£3.81m (£3.55m), for 1989.

Directors said all divisions improved their trading performance. Group sales rose 30 per cent from I£53.28m to I£69.16m.

After tax of I£1.4m (I£533,000) earnings per share emerged at 19.2p (13.3p). Total dividend for the year is 5p compared with 4p, a second interim having been announced in December.

'Robust' dividends push up TR City

Net asset value of TR City of London Trust, after deducting prior charges, was 113.9p at the end of 1989 – an advance of some 33 per cent on the figure of a year earlier.

In the six month period to end-December, earnings per share expanded 28 per cent to 2.07p (1.62p). The directors attributed the increase to "robust" growth in UK dividends and higher levels of interest on uninvested cash.

The second interim dividend is 1.03p. A total of 4.12p for the year has already been forecast.

Microfilm unveils expansion to £3.3m

Microfilm Reprographics, the microfilm bureau, yesterday unveiled a 33 per cent expansion in interim profits. The shares advanced 5p to 230p.

On turnover ahead 50 per cent to £15.08m (£9.99m), taxable profits rose from £2.45m to £3.26m. After an estimated tax charge of £1.21m (£906,000), earnings per 10p share worked through at 5.8p (4.7p).

The interim dividend is raised to 1.5p, up from an adjusted 1.13p last time.

Norex on line for insurance input

Norex, the shipping and insurance group, raised pre-tax profits by 59 per cent in the six months to December 31 despite a 39 per cent fall in turnover.

Profits rose from £701,000 to £1.16m from sales down from £29.28m to £17.94m. Operating profit, however, jumped to £1.22m (£807,000).

Mr Kristian Siem, chairman, said that the insurance division, which lost £1.2m in the previous twelve months, was operating profitably in all sectors except North America. He expected the division to make a profit for the year.

Earnings per share came through at 0.7p (0.01p) after tax of £54,000 (£102,000).

Growth in asset finance business gives a boost to profits

Baltic improves 25% to £14.81m

By Vanessa Houlder

BALTIC, the asset finance property and financial services group, announced a 25 per cent increase from £11.82m to £14.81m in pre-tax profits for 1989.

Turnover showed a marginal decrease from £51.15m to £51.65m, reflecting a reduced emphasis on property activities.

The asset finance business grew from about 56 per cent to 70 per cent of the profits with an increase in the lending portfolio, which rose from £135m to £180m.

The property finance and development results included profits on the sale of Telford development and land at Speke. The group said that the completion of the Trafford Park development would contribute to profits this year.

Its investment activities grew in 1989 and include an 8 per cent interest in Aberdeen Trust Holdings.

The company, which had gearing of 200 per cent at the year end, said that it was fully hedged up against further interest rate rises, although it would benefit from falls.

Its prudent approach would stand it in good stead during the difficult and challenging market conditions ahead, it said.

Fully diluted earnings per share rose by 26 per cent from 17p to 21.4p.

A dividend of 2.3p is proposed, making a total of 4p, an increase of 19 per cent.

Mr Harry Hyman, finance director, said that the asset finance business had a much stronger year, particularly due to the first full-year contribution of Saturn Group, the lease broker which Baltic bought in December 1988.

Mr Hyman said that Baltic had shifted its emphasis away from property development because of the difficult climate: "But it is not all doom and gloom. We have got some very good profits on our books from Trafford Park and we have got an increasing number of property finance deals."

● COMMENT

Baltic may be a rather unusual Stock Market animal, but nonetheless it has its City fans. They gave a good reception to these results, pointing out the hefty increase in the asset finance portfolio and some nimble footwork on the property side, where Baltic has downplayed its involvement in development. And even though no leasing house can feel complacent as the number of company receiverships goes steadily upwards, Baltic is reckoned to have a good quality, broadly based spread of business. With less than 1 per cent of the UK leasing market, it also has a reasonable chance of increasing its market share. Its gearing is low for a leasing house, which should enable it to pick up any bargains in the property or asset finance business as opportunities arise. Analysts expect profit of about £16.5m this year.

AMS returns to the black with £509,000

AMS Industries, the Lancashire-based designer and manufacturer of studio sound equipment, yesterday reported pre-tax profits of £509,000 for the year to end-November.

This compared with profits of £265,000 for the comparable period and marked a return to profitability from losses of £91,000 at the midway stage. Turnover rose from £6.77m to £7.66m.

AMS said the decision to withdraw from custom analogue console production had resulted in the sale of part of the Clarec business in July. This disposal, coupled with good sales growth in established digital audio products, had led to the recovery.

Interest payable totalled £134,000, up from £74,000 last time, although net borrowings at the year-end were slightly lower at £1.08m, gearing being 28 per cent.

The tax charge rose to £183,000 (£79,000) after which earnings per 5p share were left at 1.07p (0.61p). A final dividend of 1p makes a same again total of 1.5p.

Frank Usher advances 11.6%

FRANK USHER Holdings, the dress and special occasion wear manufacturer, lifted first half pre-tax profits by 11.6 per cent.

Sales for the period to November 30 1989 rose 15 per cent to £7.69m (£6.68m) and gross margins were maintained. Before exceptional charges the profit increase was 22 per cent.

Mr Christopher Norland, chairman, said last autumn's record orders for the spring/summer 1990 collections were encouraging against the background of the downturn in the retail market.

The exceptional debits comprised a currency loss of £168,000 on the D-Mark loan, less profit on sale of the Glasgow factory of £101,000.

Mr Norland explained that having a D-Mark loan saved the company some £42,000 in interest charges.

The subsequent strengthening of the D-Mark and an accounting convention requiring the loan to be converted at November 30 exchange rate meant there was a £168,000 loss; but that had since been reduced by the pound picking up.

Earnings came to 6.6p (6.1p) and the interim dividend is maintained at 2p.

Stat-Plus ahead 'in testing period'

Stat-Plus, stationery retailer, lifted pre-tax profit from £5.04m to £5.32m in 1989, "a testing period", directors said.

Turnover fell to £11.88m (£12.59m) and operating profit to £3.95m (£4.38m). The dramatic slowdown in the home buying market halved the level of activity in one of the key areas.

Interest income doubled to £1.37m — cash resources were £10.6m at the year-end. Earnings were 16.2p (15.1p) and the final dividend is 3.75p for a total of 5.5p (3.5p).

Lift from acquisitions as BWD doubles to £1.7m

Pre-tax profits at BWD Securities more than doubled to £1.71m in the year to November 30 1989.

The company operates in the financial services sector, with its core activity in stockbroking and portfolio management.

Results included a full year from Rensburg and six months from the Belfast and Glasgow offices acquired from Laing & Cruickshank.

The profit compared with £822,000 and was made on turnover of £7.65m (£2.58m).

BWD Rensburg, acquired in November 1988, made a substantial contribution to profits. Private client and pension fund portfolio management provided organic growth, as did the corporate division.

The recommended final dividend is 2.75p for a total of 3.75p, against 2.5p. Earnings were 6.7p (6.2p) per 10p share.

Caution at Eleco after 6% decline to £2.67m

ALTHOUGH ITS trading operations continue to perform well, Eleco is taking a cautious view of the medium term prospects because of its exposure to the building and construction sector.

Actions were being taken, said Mr Field Walton, chairman, which would moderate the effects of the present slow down in the UK economy and ensure the group continued to move forward profitably.

Reporting for the six months to December 31 1989, he said pre-tax profit fell nearly 6 per cent, from £2.83m to £2.67m. The impact of reduced property development completions and investment disposals was largely offset by other trading operations — building products, specialist contracting and distribution services — where record order books and improving profitability continued.

Turnover rose 28 per cent to £34.95m (£27.3m) with the acquisition of Gang-Nail Systems being one factor behind the increase. Interest charges shot up to £1.91m (£710,000) and it is intended to reduce gearing.

Earnings were 5.9p (6.9p); the interim dividend is 2.3p (2.2p).

Creston slips to £252,500

Creston, an investment holding company with interests in shopfitting, specialist joinery and architectural aluminium, announced pre-tax profits of £252,500 for the half-year to end-December.

The outcome showed a small decline on the £259,100 achieved last time, and came on turnover ahead to £8.86m (£5.29m).

Directors said the profits downturn reflected lower margins at the Aluminium & Timber Securities subsidiary and a sharp increase, from £45,300 to £152,500, in amounts written off investments.

Earnings per 10p share fell to 0.86p (1.17p) as a result of dilution following the rights issue in May. The interim dividend is 0.7p and a final of 1p is forecast.

Rodime reveals higher losses but confident of recovery

By James Buxton, Scottish Correspondent

RODIME, the Scotland-based disk drive maker which last year was the subject of a large scale financial rescue, yesterday disclosed increased losses for 1988-89 and the first quarter of 1989-90.

However, the company also announced that it was making progress in implementing its new strategy, including a significant equipment supply contract with Hewlett-Packard's Apollo Systems division.

Rodime, which reports its results in US dollars, lost $41.5m (£24.6m) after tax in the year to September 30 1989 compared with a loss of $25.7m. Sales fell from $115.7m to $96.1m.

In the three months to December 31 1989 Rodime lost $4m after tax, (loss of $2.6m in the corresponding quarter of the previous year). Sales were $22m ($40m).

Last year Rodime, which is based at Glenrothes in Fife but carries out volume manufacturing in Singapore, raised $20.2m in new equity, received $36m in loans and rescheduled $14.5m of debt.

New management under Mr Peter Bailey as managing director decided to specialise in making very high capacity 3½-inch disk drives offering 100 megabytes and 200 megabytes of data storage for original equipment manufacturers (OEM) customers.

The company has discontinued production of 5¼-inch drives. Turnover fell while the company ramped up production of new products.

Rodime said it had negotiated further facilities from its bankers to fund future working capital. It warned that the high capacity 3½-inch drive market was becoming increasingly competitive and that "this will slow our recovery process."

In line with its new strategy Rodime yesterday announced an agreement under which it will sell Rodime Systems, its retail products division which supplies mass storage products for personal computers, to Profit Technology of the US, while retaining an exclusive agreement to supply it with disk drive products.

Rodime will receive $7m in cash for the sale plus $1.5m of Profit Technology shares.

Mr Bailey said that the retail business competed directly with the OEM customers and had vastly different cost structures.

Rodime is to become a leading supplier of 210 megabyte and 100 megabyte high performance 3½-inch disk drives to Hewlett-Packard's Apollo Systems division, the former Apollo Computer.

It is already shipping products in quantity for use in Apollo's newest workstation, the series 2500 and other products are being assessed by Hewlett-Packard's workstation group.

Rodime called the contract a tremendous vote of confidence.

Hi-Tec Sports forecasts £6.4m

TRADING AT Hi-Tec Sports has been better than expected, with the help of the new Dutch subsidiary, and it is forecasting pre-tax profits of £6.4m for the year to February 5 1990.

The shares eased 2p to 78p yesterday, after one time reaching 83p.

At the halfway stage the profit had fallen by £1m to £3.1m and the second half was expected to produce similar figure. For the whole of 1988-89 the group made £7m.

Mr Frank van Wezel, chairman, believed the performance to be creditable in the circumstances, but stressed that priorities must be the resumption of a satisfactory rate of overall profit growth.

Continued development of the business in North America was a key building block in that process, and the recent acquisition of Cofex (Bad Boys) in the Netherlands got off to a good start. The adverse trading environment in the UK remained a major influence.

Mr Derek Watson has become finance director, following the decision of Mr Mario Aresti to leave the company. Lazard Brothers has been appointed financial adviser and Hoare Govett becomes the broker.

First Scottish American nav up almost 12%

AT JANUARY 31 the net asset value of First Scottish American Trust had risen to 584p, an 11.7 per cent improvement over 12 months.

The company was virtually ungeared reflecting a cautious view on markets. Over £30m in cash balances are available for investment in equities when the outlook improves.

Earnings for the year ended January 31 1990 moved up from 17.8p to 23.12p, and a final dividend of 14p raises the total for the year from 16.8p to 21p.

Gross income advanced 44 per cent to £15m (£10.47m), with investment income at £11.94m (£8.65m) and interest receivable of £3.08m (£1.75m).

The name is to be changed to Dunedin Income Growth Investment Trust.

Goodwin in profit at interim stage

Goodwin, the engineer and metal processor, returned to profit in the half year ended October 31 with £70,734 pre-tax, against a £493,000 loss.

Turnover was up from £4.87m to £6.13m. Earnings came to 0.64p (loss 4.45p).

The directors said high interest on fixed long term contracts and the effects of inflation will be carried into the second half.

Foundry and refractory engineering was buoyant although prices were still competitive.

COMMODITIES AND AGRICULTURE

Cocoa out of the doldrums

By David Blackwell

COCOA PRICES broke out of the doldrums yesterday after months of desultory trading. The May contract on the London Futures and Options Exchange (Fox) closed at £674 a tonne, a rise of £24 on the day and the highest close for more than three months.

Analysts said there had been no change in the fundamental factors which have recently taken the price down to the lowest level for 14 years. But sentiment had changed.

The May price, which traded as high as £684 a tonne in the morning, broke through a key level at £662 a tonne and brought in speculators and chartists. Not much origin selling emerged, and the market continued to attract interest from manufacturers.

Unrest in the Ivory Coast, the world's biggest producer, also encouraged the rise.

"The price has been too low for too long," said Mr Tony Chadwick of Prudential Bache. "The market has been over-discounting the fundamentals. The surplus is coming down because consumption is proceeding so well – everyone has been putting the consumption figures up, but in my opinion they have not been putting them up high enough."

Echo Bay's deep drilling comes up with fool's gold

Kenneth Gooding describes how a preliminary evaluation technique went badly wrong

SEASONED observers cannot remember a more embarrassing episode for a major mining company in recent history than what has become known as Echo Bay's vanishing orebody.

A year ago Echo Bay Mines, fourth-largest of the North American gold mining groups, sounded fanfares about a major discovery at its Cove project in Nevada. Now it says, "sorry folks, we made a little mistake and there is much less gold down there than we thought."

Echo says proven and probable gold reserves at Cove have been cut by 11 per cent to 4.6m troy ounces. More seriously, "other mineralisation" at depth (traces of precious metal that have to be further evaluated to bring into the proven and probable category) have been dropped from 4.5m ounces of gold to about 0.9m.

The company planned a big production boost because it believed it had deep gold at Cove, its most important development project by far. Now some analysts suggest that, to all intents and purposes, the gold does not exist, the economic future of Cove has been seriously compromised.

How did Echo make such a mistake?

The answer is to be found in the drilling methods used by mining groups when evaluating likely-looking projects.

They start with reverse circulation drilling. In this method a rotary drill is used to produce rock "cuttings" or chips. Air and water is pumped down the hole under very high pressure to flush the rock chips to the surface through the hollow centre of the drill.

If reverse circulation drilling shows the presence of reasonable traces of metal, the miner moves on to diamond drilling. This is much slower and much more expensive, so it is nearly always held in reserve, but it produces a cylindrical core of rock which gives a much better indication of what can be found below the surface.

Echo sank 560 reverse circulation holes at Cove. When it started diamond drilling the results were entirely different.

The company can only guess at what really happen but it suggests that the rich gold ore zone below the surface at Cove crossed a fault below the water table. The rock became very weak and chips of the gold-bearing ore, eroded by water pressure, fell to the bottom of the hole and were extracted through the centre of the drill, thus giving the impression there was gold at depths where it did not really exist.

Now that 55 diamond drill core holes have been made, it seems that nearly every reverse circulation drill hole greater than 300 meters in depth was contaminated by this erosion of the side wall.

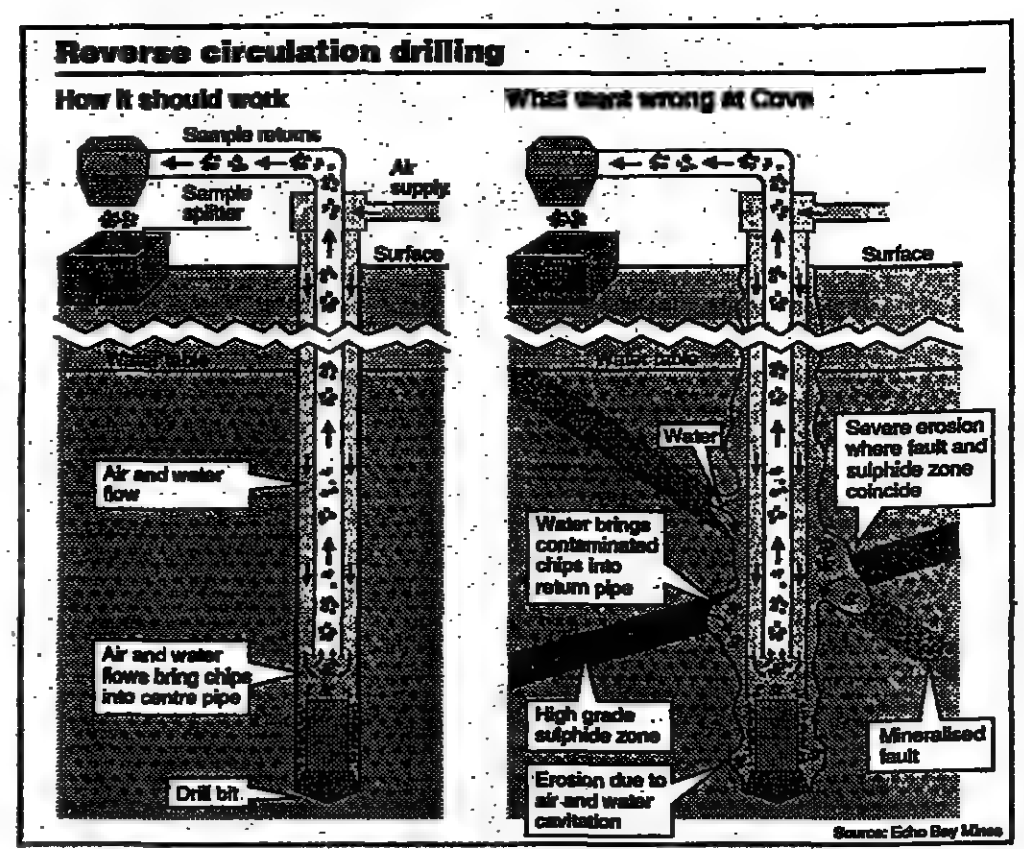
Some observers suggest that Echo should have started diamond drilling earlier. But, to be fair, it had proved there was a lot of gold in the vicinity and it was reasonable to assume there was much more to be found. The existing McCoy/Cove open pit mines produced 214,566 ounces of gold and 2.8m ounces of silver last year.

Analysts in North America and London praise the way Echo owned up quickly and gave a detailed explanation of what went wrong at Cove. But analysts are an unforgiving lot and Echo's share price (it is quoted in Toronto and New York) dropped by 12 per cent.

Ms Jane MacKelvie, analyst at the Barclays de Zoete Wedd financial services group, suggests the reaction was "overdone." Echo has assured the industry it did not make similar mistakes at its other important projects – Alasak-Juneau and Kensington in Alaska and Kettle River in Washington – and the company is on target to produce 900,000 ounces of gold this year, up from 717,200 in 1989, she points out.

However, Mr Tim Read, analyst at the Smith New Court financial services group, believes the Cove episode may cause "a pronounced lack of faith and credibility in (Echo) management on the part of the market and lenders."

Whichever of these analysts is right, the lesson from the Cove episode is clear: it can't be stressed too often that mining is a risky business, not only for the companies involved but also for investors.



Source: Echo Bay Mines

Dramatic changes studied at LME

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange, which dominates world terminal market trade in non-ferrous metals, is considering dramatic changes to its contracts.

Members have been asked to consider futures contracts which would stretch to three years compared with the present 15 months.

At the same time, contracts might encompass a multitude of other currencies as well as the currently-used US dollars and sterling.

Mr David King, the new chief executive, said yesterday the changes were being suggested in response to "the ever-changing commercial and regulatory environment" in which the LME was operating.

"There are many advantages and disadvantages to effecting changes to the present contract structure and all of these will be debated fully by the Exchange, its members and, where appropriate, other interested parties, over the coming weeks."

Mr King said an extension of the trading period would enable every trading day up to 12 months forward become a "good delivery" day. Thereafter good delivery days would fall on the third Wednesday of each month until the end of three years.

At present good delivery is each trading day from one to three months and the third Wednesdays of the fourth to fifteenth months.

Indonesia to renew mining contract

By Kenneth Gooding

INDONESIA WILL renew Freeport McMoRan's contract to mine copper and gold in Irian Jaya and explore new areas, said Mr Ginanjar Kartasasmita, mines and energy minister.

But Freeport would be expected to increase local ownership to at least 20 per cent compared with 9 per cent at present and the Government wants a smelter built before the current contract runs out.

Freeport's 30-year contract expires in 2003. The company recently announced a $550m scheme to double copper and gold production by 1993.

Mr James "Jim-Bob" Moffett, Freeport chairman, said output would jump to 500m lbs of copper and more than 500,000 troy ounces of gold a year. Copper could be produced at 60 cents a lb.

Chilean mining industry prepares to live with democracy

Leslie Crawford looks at the prospects for the country's biggest export earner after Pinochet hands over power

CHILEAN MINING never had it so good as under the 16 years of military rule that end on March 11. Not only did President Augusto Pinochet's liberal economic team lure back foreign investors, so that there are now over 70 projects worth US$4.2bn due to start production within the next three years, but output also doubled at the state mining company Codelco – the world's biggest copper producer.

For the incoming government of President-elect Patricio Aylwin, this is a tough act to follow. He has been at pains to reassure the foreign mining companies that have sunk so much money to tap Chile's mineral wealth that the old regime's favourable investment laws will remain essentially intact.

"The private mining sector will be like an island in the new government; it will not be touched," predicts Mr Benno Schuler, head of the projects department at Sonami, the Association of Private Mining Companies.

Before the December 14 elections, there were grumblings within Mr Aylwin's 17-party coalition that perhaps the military government had been too generous in its dealings with foreign investors. Some feared that Codelco's dominant role in the industry would be undermined by the entry of mining multinationals and there was talk of renegotiating the terms of some of the large copper projects.

But since Mr Aylwin's victory, not a word has been heard on the subject.

Mr Schuler said Sonami invited Mr Aylwin for a chat shortly before polling day and convinced him of the inadvisability of tampering with either the country's mining code, which grants virtual property rights over mining concessions, or the foreign investment code, which fixes taxes, allows profits to be shipped abroad and guarantees that a company can pull out its capital after five years.

What the new democratic government is committed to changing, however, is the military regime's draconian labour laws. These broke the back of Chile's once-powerful Copper Workers Union by forbidding industry-wide stoppages and allowing companies to hire temporary workers to replace striking miners.

There will also be pressure to increase wages, but this worries foreign mining experts less in a capital-intensive industry than the possibility of lost production through labour strife.

Having decided to leave the private mining sector alone, Mr Aylwin's team is taking a long, hard look at what to do with Codelco.

The state company's four mines, Chuquicamata, El Teniente, Salvador and Andina, last year produced a record 1.24m tonnes of copper, 14 per cent up on 1988, and because of high world prices in 1989, it also achieved record sales of US$3.6bn. This accounted for about 77 per cent of Chile's total mining output and 45 per cent of export revenues.

Codelco plays an even greater role in the generation of government revenues. A tenth of its gross copper exports are used to finance the Armed Forces and the outgoing managing director, Mr Patricio Contesse, estimates that over the past 14 years Codelco has contributed $12bn to the Treasury's coffers.

"Codelco has been the military government's milking cow and the incoming government will continue to milk it for tax receipts and export revenues to finance social projects," says one US mining expert. "The question is, will they feed it?"

Mr Ivan Valenzuela, the future deputy mining minister, is all too aware of the dangers of starving Codelco. He criticises the military government for investing almost exclusively in expanding output to the detriment of exploration and the company's smelting and refining facilities.

"This policy has reached a dead end," Mr Valenzuela said. "There is no further room for expansion in Chuquicamata or El Teniente and there are also serious production bottlenecks because of Codelco's problem-plagued smelters."

At El Teniente, the world's largest underground mine, the accident rate has snowballed since miners began tunnelling into the tough and brittle primary rock which contains all of the mine's remaining reserves. Six miners were killed in a rockburst in January, bringing the total number of casualties in the past 12 months to 23. In the past, fatal accidents at El Teniente rarely came to two or three a year.

The accidents at El Teniente reflect the fact that all of Codelco's four divisions are suffering from declining ore grades. This makes the need for improving the company's treatment capacity all the more acute, as the mines will have to extract more ore in future to obtain the same amount of copper.

Lower ore grades will also affect the company's profitability at a time of falling copper prices.

Another factor that will add to Codelco's costs is the problem of pollution. Mr Valenzuela predicts that "green" concerns will become more prominent in Chile's new democracy and that Codelco will have to play a leading role in cleaning up the industry.

"To lower costs will be difficult; to maintain costs will be an achievement," Mr Valenzuela said. Some mining analysts think this would be a miracle.

Despite Codelco's plans to continue breaking new production records in the 1990s, foreign analysts believe the company's output probably peaked in 1989. Henceforth, the motor for continued growth will be the big foreign mining ventures like the $1.1bn Escondida project, which is due to start production in January 1991.

But Mr Valenzuela believes Codelco can also play a new role by actively seeking joint ventures with foreign companies, both in Chile and abroad, by investing more in exploration and by diversifying production to reduce its dependence on copper.

To this end, the incoming government had to fight tooth and nail against a law planned by the military junta which sought to restrict Codelco's activities exclusively to copper mining in its four existing divisions. A watered-down version of the law will be passed by the junta on February 20 – less than three weeks before it hands over power to the new government – with the offending article removed.

Mr Valenzuela would like to transform Codelco from a plodding giant into a dynamic international company.

"Codelco supplies almost one-fifth of the non-socialist world's copper, and yet it does not have the international weight of its productive capacity," he said. "We have good technicians, but no entrepreneurs."

Part of the problem lay in the military government's preference for naming generals with little expertise in mining to head Chile's largest company. From March 11, Codelco's new head will be Mr Alejandro Noemi, a businessman from a mining family which owns important gold mines in Chile.

As far as joint ventures are concerned, Mr Valenzuela says Codelco is holding exploratory talks with copper manufacturing companies in south east Asia and that these could bear fruit in the near future.

"Up to now Codelco has been only worried about taking its copper to port," Mr Valenzuela said. "We want to find ways of increasing the value added of our product and this will involve establishing Codelco's presence where the markets are." He even dreams of gaining a toe-hold in Europe before 1992, but he admits that the company many have left it a bit late for that.

Attracting foreign partners to build more refineries in Chile may be more difficult. Projects like Escondida, for example, have been financed through selling future production of concentrates to smelters in Japan and Europe. Foreign analysts predict Codelco's terms will have to be very generous to persuade private mining companies to invest in new processing capacity in Chile.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE metal prices rose across the board on the LME yesterday. Copper closed ahead after reversing a morning retreat. Traders said the sudden buying and borrowing (buying cash and selling forward) attention in cash metal appeared to reflect the possible shipment of metal from LME warehouses to the US, where Comex stocks have only recently picked up to 4,078 short tons from a 16-year low of 3,020. There also appears to be good demand in Europe for low grade copper, largely due to a scarcity of scrap material. Zinc, lead and aluminium firmed on the back of the improving copper prices. Nickel recovered some of Tuesday's loss as short covering emerged following some moderately active European merchant buying. On the bullion market gold drifted lower in subdued trading.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.40-6.50z	-0.5
Brent Blend	$19.48-9.52z	-0.25
W.T.I. (1 pm est)	$21.65-1.70z	-0.5
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-225	-2
Gas Oil	170-171	-2
Heavy Fuel Oil	$90-92	
Naphtha	$184-185	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$407.50	-1.00
Silver (per troy oz)♣	510.50c	-7.25
Platinum (per troy oz)	$511.50	-1.25
Palladium (per troy oz)	$130.40	-0.85
Aluminium (free market)	$1475	-10
Copper (US Producer)	120⅝-3½c	
Lead (US Producer)	44½c	
Nickel (free market)	350c	-10
Tin (Kuala Lumpur market)	16.64r	-0.1
Tin (New York)	294c	+2
Zinc (US Prime Western)	69c	
Cattle (live weight)†	110.17p	-.21*
Sheep (dead weight)†	208.03p	+.46*
Pigs (live weight)†	96.48p	-.10*
London daily sugar (raw)	$348.20x	-2.80
London daily sugar (white)	$426.0x	-1.0
Tate and Lyle export price	£320.5	-2.0
Barley (English feed)	£111.0w	-0.50
Maize (US No. 3 yellow)	£126.5	
Wheat (US Dark Northern)	£127	
Rubber (Apr)♥	55.25p	-0.25
Rubber (May)♥	56.00p	-0.25
Rubber (KL RSS No 1 Mar)	230.0m	
Coconut oil (Philippines)§	$385t	
Palm Oil (Malaysian)§	$280w	
Copra (Philippines)§	$237.5	
Soyabeans (US)	£158	
Cotton "A" index	78.10c	+0.30
Wooltops (64s Super)	548p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne	Close	Previous	High/Low
Mar	668	634	665 658
May	674	651	684 655
Jul	689	664	697 669
Sep	703	677	713 685
Dec	722	701	733 710
Mar	745	722	752 738
May	760	739	[illegible]

Turnover: 20123 (4640) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 27 789.58 (807.86) 10 day average for Feb 28 787.99 (783.95)

COFFEE – London FOX £/tonne	Close	Previous	High/Low
Mar	615	621	624 604
May	637	636	645 623
Jul	647	650	651 636
Sep	660	662	665 649
Nov	670	674	675 661
Jan	681	686	692 676
Mar	706	701	707 690

Turnover: 12149 (7395) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 27: Comp. daily 71.09 (71.42). 15 day average 67.58 (65.94)

SUGAR – London FOX ($ per tonne)	Close	Previous	High/Low
Raw			
Mar	314.80	317.00	316.40 314.80
May	319.80	319.60	320.60 318.00
Aug	319.00	319.00	319.40 317.20
Oct	311.00	310.60	311.60 310.00
Dec	307.20	305.00	
White	**Close**	**Previous**	**High/Low**
May	423.5	423.5	424.0 421.0
Aug	419.0	420.0	421.0 417.5
Oct	390.5	391.0	436.0 388.5
Dec	372.0	370.5	418.5 368.0
Mar	366.0	364.5	363.5 368.0

Turnover: Raw 6893 (18782) lots of 50 tonnes. White 1458 (1257)
Paris- White (FFr per tonne): May 2417, Aug 2415, Oct 2260, Dec 2160, Mar 2135, May 2135.

CRUDE OIL – IPE $/barrel	Latest	Previous	High/Low
Apr	19.57	19.51	19.58 19.33
May	19.50	19.46	19.50 19.33
IPE Index	19.55	19.37	

Turnover: 6535 (4980)

GAS OIL – IPE $/tonne	Latest	Previous	High/Low
Mar	170.00	171.50	172.00 169.00
Apr	165.75	167.25	168.00 165.00
May	163.50	165.00	164.75 162.75
Jun	162.25	164.50	163.75 162.25
Jul	164.50	165.75	164.00 162.00
Aug	165.75	167.75	165.00
Sep	167.50	168.75	166.75
Nov	168.50	172.75	168.50 168.00

Turnover 3189 (5474) lots of 100 tonnes

WOOL
BUYING in the South American market by a Russian delegation has raised hopes that low-priced competition in world markets may have lessened. However, prices negotiated are at a substantial discount on Australian floor prices levels.
Australian prices remain substantially low, AWC buying amounts to 35%.
Trade in leading wool countries is slow. Prices are competitive and little changed.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 62,275 tonne
Cash	1484-7	1479-81		1477-8		
3 months	1483-4	1485-6	1488/1485	1487-8	1486-500	20,679 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,650 tonne
Cash	1458-7	1442-3	1458/1447	1456-6		
3 months	1441-2	1434-5	1452/1430	1446-4	1450-1	12,636 lots
Lead (£ per tonne)						Ring turnover 8,025 tonne
Cash	507-12	485-90	530/515	515-6		
3 months	427-8	427-8	438/427	434.5-35	433-4	40 lots
Nickel ($ per tonne)						Ring turnover 804 tonne
Cash	7650-700	7550-600		7600-40		
3 months	7575-600	7500-50	7600/7460	7475-500	7575-600	222 lots
Tin ($ per tonne)						Ring turnover 855 tonne
Cash	6350-70	6290-300	6361	6351-2		
3 months	6430-60	6420-5	6520/6480	6460-80	6480-5	0 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 20,600 tonne
Cash	1468-8	1446-8	1468/1472	1472-8		
3 months	1448-7	1424-5	1450/1429	1436-8	1447-8	1,791 lots
Zinc ($ per tonne)						Ring turnover 2,460 tonne
Cash	1475-85	1430-40		1460-70		
March 30	1450-60	1410-20		1433-45		0 lots

LME Closing £/$ rate: SPOT: 1.6905 3 months: 1.6835 6 months: 1.6405 9 months: 1.6187

POTATOES – IPE £/tonne	Close	Previous	High/Low
Apr	192.5	187.5	192.5 187.5
May	224.0	218.9	224.0 218.5
Nov	98.8		100.0 98.8

Turnover 214 (224) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne	Close	Previous	High/Low
Apr	123.00	124.00	123.50 123.00
Oct	122.00	121.00	122.00

Turnover 75 (75) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point	Close	Previous	High/Low
Mar	1650	1649	1650 1655
Apr	1655	1650	1665 1641
Jul	1398	1395	1398 1395
Oct	1486	1495	1495 1490
Jan	1465	1495	1495
BFI	1604	1603	

Turnover 257 (127)

GRAINS – IPE £/tonne	Close	Previous	High/Low
Wheat			
Mar	112.60	112.15	112.60 112.50
May	115.80	115.35	115.80 115.55
Jun	117.75	117.35	117.80 117.75
Barley	**Close**	**Previous**	**High/Low**
Mar	106.15	105.15	106.25 105.25
May	108.00	107.70	108.00 107.70

Turnover: Wheat 267 (123), Barley 59 (61).
Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg	Close	Previous	High/Low
Apr	120.0	118.0	120.0 118.0
Jun	120.5	120.0	120.5 120.0

Turnover 211 (0) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	**$ price**	**£ equivalent**
Close	407¼-407¾	241½-243
Opening	408-408½	240¾-241¼
Morning fix	409-410	242,466
Afternoon fix	407.70	241.716
Day's high	408½-410	
Day's low	407-407½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	416-421	246-248
Britannia	416-421	246-249
US Eagle	416-421	245-248
Angel	416-421	246-249
Krugerrand	406-409	240-242
New Sov.	95¼-98¼	57-58½
Old Sov.	95¼-98¼	57-58½
Noble Plat	516.60-525.05	305.60-311.40
Silver fix	**p/fine oz**	**US cts equiv**
Spot	303.60	512.00
3 months	315.80	522.85
6 months	318.85	533.95
12 months	340.70	556.35

TRADED OPTIONS				
Aluminium (99.7%)	**Calls**		**Puts**	
Strike price $ tonne	Mar	May	Mar	May
1400	91	118	1	17
1500	15	50	25	55
1600	1	17	109	121
Copper (Grade A)	**Calls**		**Puts**	
2300	161	182	1	44
2400	62	95	12	85
2500	13	54	62	143
Coffee	May	Jul	May	Jul
600	48	67	11	22
650	21	40	34	45
700	7	22	70	77
Cocoa	May	Jul	May	Jul
600	77	87	3	18
650	39	50	15	41
700	15	14	40	75
Brent Crude	Apr	May	Apr	May
1900				6
1950	11	12	31	38
2000		3		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Mar	405.5	409.0	408.0	405.5
Apr	408.2	411.0	412.2	407.5
Jun	416.5	416.6	419.0	415.2
Aug	418.5	421.9	423.0	418.5
Dec	430.0	432.2	433.8	429.5
Feb	434.3	437.4	439.5	434.9

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Apr	506.0	509.8	512.5	503.1
Jul	511.0	514.3	517.0	509.0
Oct	517.0	520.3	520.0	515.5
Jan	523.0	526.7	523.0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	113.50	111.90	114.80	112.00
Apr	110.00	108.90	110.35	110.00
May	108.40	106.75	108.60	106.75
Jun	105.98	104.75	105.90	105.25
Jul	104.40	103.15	104.40	103.00
Aug	103.50	102.25	103.50	103.50
Sep	101.70	101.15	102.00	101.80
Dec	99.00	98.60	99.30	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Mar	510.8	507.5	511.0	507.0
May	516.5	516.0	520.0	516.0
Jul	526.5	524.0	528.0	525.0
Sep	534.0	532.5	535.0	532.0
Dec	545.5	544.3	548.5	544.0
Jan	549.0	547.8	549.0	549.0
Mar	556.0	555.1	560.0	557.0
May	566.5	564.4	566.5	0
Jul	573.0	572.5	579.0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Apr	21.68	21.58	21.71	21.48
May	21.70	21.65	21.74	21.47
Jun	21.66	21.64	21.66	21.47
Jul	21.50	21.62	21.50	21.34
Aug	21.29	21.36	21.29	21.18
Sep	21.15	21.28	21.17	21.04
Nov	21.00	21.21	21.15	20.99
Dec	21.06	21.20	21.14	20.98
Jan	21.00	21.18	21.01	20.95

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Mar	5755	5816	5880	5735
Apr	5690	5726	5725	5650
May	5610	5649	5645	5570
Jun	5550	5595	5580	5505
Jul	5530	5579	5545	5490
Aug	5580	5657	5590	5580
Sep	5700	5750	5720	5675
Oct	5770	5820	5770	5760
Dec	5840	5960	5840	0

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Mar	1079	1048	1084	1075
May	1085	1030	1088	1051
Jul	1050	1032	1087	1055
Sep	1069	1046	1079	1069
Dec	1098	1071	1105	1094
Mar	1120	1090	1120	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Mar	93.00	90.04	93.00	90.10
May	93.90	91.05	93.90	90.65
Jul	95.20	92.45	95.20	92.45
Sep	96.50	94.10	96.50	94.00
Dec	98.55	96.57	98.55	96.25
Mar	102.25	99.05	100.50	0
May	103.00	101.25	101.00	101.00
Jul	103.10	102.25	102.75	102.60

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	14.31	14.38	14.50	14.15
May	14.46	14.48	14.58	14.38
Jul	14.32	14.33	14.40	14.25
Oct	13.95	13.94	14.08	13.88
Mar	13.28	13.24	13.34	13.22
May	13.20	13.05	0	0
Jul	13.02	12.90	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Mar	69.95	68.90	69.30	68.75
May	70.45	70.84	70.62	70.34
Jul	70.86	70.82	70.90	70.62
Oct	66.20	66.20	66.25	66.15
Dec	64.70	64.72	64.88	64.65

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	191.80	194.25	193.50	191.10
May	190.70	191.65	192.40	190.50
Jul	188.50	189.30	189.10	188.10
Sep	184.65	184.75	185.00	183.50
Nov	179.50	179.75	179.50	179.50
Jan	176.00	176.60	176.00	175.50
Mar	175.80	176.50	176.00	176.00

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Feb 28	Feb 27	mnth ago	yr ago
	1831.4	1828.2	1761.7	1980.0
DOW JONES (Base: Dec. 31 1974 = 100)				
	Feb 27	Feb 26	mnth ago	yr ago
Spot	130.03	130.97	127.08	135.35
Futures	131.38	131.68	127.40	139.34

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Mar	568/6	561/4	567/0	560/2
May	581/0	574/6	581/0	573/6
Jul	592/6	586/2	593/0	585/4
Aug	596/0	589/6	598/0	589/4
Sep	594/0	586/2	594/4	588/4
Nov	600/0	593/4	600/4	593/0
Jan	609/0	602/4	609/0	603/0
Mar	620/0	612/4	620/0	612/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	21.20	20.66	21.28	20.66
May	21.45	20.82	21.50	20.85
Jul	21.52	20.92	21.52	20.95
Aug	21.30	20.80	21.30	20.85
Sep	21.10	20.60	21.00	20.65
Oct	20.85	20.40	20.80	20.45
Dec	20.75	20.36	20.75	20.36
Jan	20.60	20.22	20.60	20.35

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Mar	162.2	161.9	163.8	160.7
May	166.0	165.5	166.5	164.6
Jul	170.4	169.4	170.5	168.8
Aug	172.3	171.3	172.4	171.0
Sep	174.4	173.3	174.4	172.9
Oct	176.2	174.5	176.5	174.4
Dec	179.8	177.5	179.8	177.2
Jan	181.0	179.2	181.0	179.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Mar	246/6	245/0	247/2	244/4
May	253/4	251/4	253/4	250/6
Jul	257/6	255/6	257/6	255/0
Sep	256/0	253/6	256/4	253/0
Dec	253/0	251/6	253/2	251/0
Mar	259/0	258/0	259/2	257/0
May	261/0	260/0	262/0	260/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Mar	393/4	394/2	396/0	391/2
May	362/0	363/4	364/2	362/0
Jul	344/6	346/4	347/0	344/6
Sep	351/4	352/6	353/0	351/4
Dec	363/4	364/4	364/4	363/0
Mar	371/4	371/0	372/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Apr	75.45	75.57	75.72	75.37
Jun	70.95	70.72	71.12	70.75
Aug	70.60	70.35	70.72	70.40
Oct	72.50	72.42	72.62	72.40
Dec	72.92	72.82	72.92	72.77
Feb	72.85	72.70	72.90	72.80

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Apr	50.35	49.82	50.67	49.80
Jun	54.85	54.52	55.10	54.15
Jul	54.15	53.87	54.45	53.75
Aug	51.92	51.82	52.22	51.60
Oct	46.85	47.02	47.25	46.80
Dec	47.20	47.20	47.45	47.10
Feb	47.80	47.82	0	0
Apr	46.60	45.70	0	0

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	51.35	51.27	52.50	49.90
May	52.45	52.70	54.00	51.10
Jul	53.30	53.50	54.50	52.05
Aug	51.42	51.57	[illegible]	50.50
Feb	55.96	55.85	57.00	55.40
Mar	56.50	56.00	57.00	0

LONDON STOCK EXCHANGE

Trade deficit unsettles share prices

THE RALLY in the UK stock market was checked yesterday by news of a substantial increase in the UK monthly trade deficit, although analysts found plenty of room for argument over the significance of "erratic items" in the near-doubled January current account deficit of £1.9bn.

The stock market turned in a similarly erratic performance, finally closing little changed on the day after shedding an early gain when the trade figures were announced and then abandoning an attempted recovery despite a strong opening to the Wall Street session.

The final reading showed the FT-SE Index a mere 0.6 points up at 2,255.4. Once again turnover was thin, with Seaq volume at 363m shares, barely changed from Tuesday's 362m. Traders drew come comfort from the continued absence of significant selling as the market lost momentum in late dealings, when the Government bond market was sharply lower and hints of an impending convertible rights issue circulated in the equity sector.

Account Dealing Dates		
*First Dealings:		
Feb 12	Feb 26	Mar 12
Option Declarations:		
Feb 22	Mar 8	Mar 22
Last Dealings:		
Feb 23	Mar 9	Mar 23
Account Day:		
Mar 5	Mar 19	Apr 2

*New time dealings may take place from 9.00 am two business days earlier

The UK January trade deficit was considerably greater than predicted in the City and an early gain of 10 points in the Footsie was quickly eliminated on the announcement. Share prices rallied as analysts assessed the implications of diamond imports and aircrafts exports included in the January numbers and also the downward revision of the December trade deficit, but the rally did not hold.

Equity strategists took the trade deficit news more calmly than their counterparts in the bond markets. While there was concern over the month's imports total of £10.57bn, the general view was that the January figures made little change to the case for a cautious Budget next month from Mr John Major, the UK Chancellor.

The stock market was also unsettled by poor profits from General Accident, although these were balanced by a more satisfactory result from Commercial Union. The insurance sector has been shaken by some estimates of £3.5bn in storm damage in the UK since the beginning of the year.

The UK stock market's uncertainty in the face of further recoveries overnight in Tokyo and New York indicated the fragility which still underlies prices in London, according to analysts at leading securities firms.

The January trade deficit, one of the worst on record, cast further gloom over the outlook for domestic interest rates, although such concerns were balanced yesterday by a firmer trend in the sterling exchange rate index.

With the outlook for global bond markets still far from certain, there are now some doubts over the prospects for a further recovery this week in UK equities which appeared to bounce so successfully on Monday when the sensitive FT-SE 2,200 point was touched.

British Airways in demand

A single trade of 2m British Airways shares drew attention to the stock as well as underpinning the share price. Dealers said the block had been placed with US institutions by a non-UK-owned securities house.

Dealers noted US buying throughout the session yesterday, partly on the back of an overnight change of recommendation from a US analyst towards buying the airline sector. British Airways is well traded in the US.

Also attracting Wall Street's interest in BA was the fact that US investors can from today buy the convertibles which were issued last autumn as part of the plan to take a stake in UAL. That plan was eventually abandoned after the convertible issue had been completed.

BA rose to 196p at one point but eased just before the close to 195p, just a penny up on the day. Turnover reached 4m shares.

Insurer lower

General Accident gave the market an unpleasant surprise by revealing preliminary results sharply below even the more pessimistic forecasts. Pre-tax profits from the composite insurer were £147m, compared with last time's £294.1m and a market forecast range of £158m to £170m.

Dealers and specialists said the final dividend of 32.5p, bringing the year's total to 50p, compared with last year's 44p, was also lower than expected. Many analysts had pencilled in 52p.

General Accident shares promptly dropped to a low of 1058p before steadying and ending the session a net 40 down at 1065p. Turnover was 687,000 shares.

The company said it had been hit by, most notably, a weak performance in the UK, especially in its estate agency businesses and underwriting performance, and claims arising from Hurricane Hugo.

Mr Trevor May of the Nomura Research Institute, describing the results as "bad", added: "There is nothing in these figures to change perceptions that General Accident is a dull company."

Mr Andrew Goodwin of UBS Phillips & Drew labelled the 13 per cent dividend increase "Very disappointing. A lot of institutions are unhappy holders of the stock; they are now wondering what they can expect in the way of dividend growth in the future." Mr Goodwin cut his forecast of the current year profits to £165m.

Commercial Union was unaffected by the sharp falls in other composites triggered by General Accident's poor figures. CU's preliminary figures, released early in the session were given a good reception and CU shares closed 2½ higher at 477p after 480p; turnover was 3.3m. Analysts described the results as highly satisfactory. Pre-tax profits of £150.5m, although well down on last time's £201.8m, were at the top of estimates which had ranged from as low as £120m to £150m. The dividend "was well up with expectations," said one analyst.

Other composites suffered from the impact of General Accident's numbers. Royal Insurance, scheduled to report today – Hoare Govett expects pre-tax profits of £135m, against £223.4m, BZW and UBS Phillips & Drew are going for £129m, and County for £125m. Guardian Royal lost 7 to 280p on 4.4m and Sun Alliance 11 to 291p, turnover of 3.9m.

Abbey National's first set of preliminary results since last July's flotation, gained the market's approval and the shares moved smoothly ahead to close 4 higher at 189p. Barclays rose 5 to 569p in front of today's preliminary figures which should see the bank increase its third world debt provisions up to the 70 per cent mark.

Henry Ansbacher added 5 at 78p after the full-year results, showing profits up from £7.19m to £10.14m.

Thorn EMI came under sustained pressure late in the session as the market picked up the scent of an imminent fund raising operation to pay for an expansion of the group's music businesses in the US.

The suggestion was that Thorn was about to reveal the acquisition of Geffen, a major US record company with an 8 per cent share of US pop album sales. Thorn already has a sizeable slice of the US album market via its Capitol and EMI labels which together are estimated to have around 8.5 per cent of the album market.

Estimates of the purchase price ranged up to $700m. The deal is expected by analysts to be funded partly by a rights issue of convertible preference stock.

Thorn EMI shares dipped to 691p at one point but later rallied to close at net 12 down at 697p. Turnover of 1.5m was much higher than usual levels in the stock.

British Kidney Patient Association, an investment trust, added 10 at 305p after saying it was in talks which might lead to an offer being made for the company.

Worries about the possible impact on the water companies of a halt to dumping of sewage in the sea caused nervousness throughout the water share sector. Mr Nigel Hawkins of Hoare Govett recommended a switch out of North West Water (down 5 at 161p) and Northumbrian Water, (down 3 at 183p) which could be badly affected by any change in policy, and into Yorkshire and Severn Trent. Yorkshire were only marginally easier at 185p while Severn Trent held at 148p.

LASMO shares see-sawed after the group announced their preliminary figures. These showed net profits of £60m, compared with last year's £28m, in line with market expectations. Along with the figures the group announced a much better than expected dividend and a one-for-two scrip issue.

It was the dividend and the scrip which prompted a burst of buying interest in LASMO shares which touched 632p at one point. But this level brought out plenty of profit taking with dealers slightly disappointed that there was no news on the company's Westray well in the North Sea. There has been heavy buying of LASMO in recent weeks amid hints that the well has encountered oil. Dealers expect news from Westray in the next few weeks.

Polly Peck was up 7 at 393p on turnover of 5.9m shares following news that it had bought a US fruit and vegetable wholesaler for $23.5m, and its property company for a further $6.9m. The purchase was paid for by the issue of 4.85m ordinary shares, of which approximately 3m were said to have been placed in Europe and 1m in the UK yesterday.

Cadbury Schweppes eased 2 to 315p following full year results that provided few surprises for the market. However, there was disagreement among analysts as to whether Cadbury's 16 per cent rise in profits in 1989 would be repeated this year. But analysts' assumptions on sterling also affected their forecasts.

Mr Marcus Darville of County NatWest said he had left his 1990 estimate of £295m unchanged, based on 10 per cent profit growth using Cadbury's new exchange rate assumptions. Mr Carl Short of Kitcat & Aitken trimmed his 1990 estimate by £8m to £285m, reflecting 7 per cent growth, although he expected a strong recovery in 1991. But Mr Richard Workman of Hoare Govett left his £290m forecast unchanged, based on "an aggressive forecast" for sterling's expected losses.

S.G. Warburg reiterated its long-held buy recommendation on Marks and Spencer after a brief discussion with the company and the shares spent most of the day showing a gain of 3 as a result.

The appointment of Mr David Quayle as a non-executive director of TVS Entertainments helped the shares recover part of their recent weakness to close 10 higher at 108p.

Scottish and Newcastle were 6 better at one point on talk of a recommendation from Robert Fleming and yet further suggestions that a 23.6 per cent stake in the company held by Elders IXL of Australia had been placed. Marketmakers said they did not believe that the stake had been placed, and Mr Philip Shaw of Fleming said that he had not been unduly positive on Scottish in his first in a series of quarterly surveys of the brewing sector. Scottish eventually closed 4 better on the day at 314p.

Worries over the financial strains arising from its Holiday Inns acquisition initially weakened Bass. But the announcement late in the day that it was putting up for sale 47 Crest hotels arrested the fall. The shares closed at 973p, down 9.

One trader was said to have bought BAA shares from several marketmakers just after the announcement of the trade figures. The resulting shortage of stock supported the price which closed 5 firmer at 394p. Trading volume was a thin 786,000 shares.

Shares in Walter Runciman, the shipping, security and insurance group, climbed 10 to 535p, 15 higher than the cash offer made for the company last Friday by Forvaltnings AB Avena, the diversified Swedish group. Dealers said that US arbitrageurs had picked up stock. Avena has a 28.5 per cent stake in its target which, earlier in the week, dismissed the £47.8m hostile bid as "wholly inadequate."

Leigh Interests retreated 17 to 345p on the announcement that the company was making a one-for-three rights issue at 290p a share to raise £35.6m. The fall was, however, contained by talk of stake building.

Davy Corp hardened 10 to 233p on talk of likely orders from Venezuela and Qatar.

Aerospace related stocks opened firm following a positive presentation on Tuesday at BZW about the future of the European Fighter Aircraft (EFA) project. Fears about cancellation of the project in the wake of changes in eastern Europe appear to have been dispelled.

British Aerospace having been 12 higher on the EFA news retreated to close 3 up at 504p on continued worries about the final cost of the strike at a number of its plants in support of a shorter working week.

Rolls-Royce edged a penny forward to 173p supported by a buy note from County NatWest and news of the BZW presentation. Also benefiting from the BZW seminar was Smith Industries which added a penny to 236p.

A stock shortage in Glynwed International lifted the shares to close 4 up at 280p with UBS Phillips & Drew were said to have been shopping for stock.

Profit takers with S.G. Warburg reported to have led the way, caused Hawker Siddeley to give up some of the previous day's gains. The shares fell 4 to 620p.

T Cowie shed 4 to 54p on talk of a fall in profits over the last 3 months. A BZW recommendation lifted William Baird 5 to 206p.

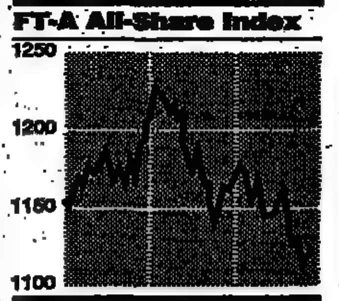
Market doubts about the proposed disposal of its joinery and home improvements divisions announced on Tuesday hurt BET. The shares slipped 8 to 230p in active trade of 4.5m shares.

Williams Holdings which reported figures above market expectations last Monday, firmed 4 to 248p as BZW upgraded profit expectations. BZW is now predicting 1990 profits of £160m (£155m), and £180m (£178m) for 1991. Mr Rory Sweetman at BZW said: "Growth is now reemerging and there will be major rationalisation benefits in both 1990 and 1991."

Light buying of some of the property sector's second liners supported Southend, up 8 at 133p, and Tops Estates, up 10 at 163p. Part of a line of stock in Land Securities was said to still be around the market, leaving the stock 5 off at 472p. Some dealers reported switching out of Land and into MEPC, up a penny at 486p.

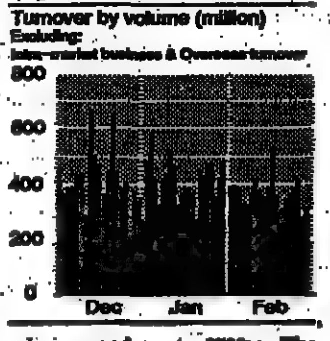
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (5).
AMERICANS (1) Allegheny, HOTELS (1) Savoy "A", INDUSTRIALS (1) Takare, TRANSPORT (1) Runciman (W.), TRUSTS (1) Cont. & Indl.
NEW LOWS (88).
BRITISH FUNDS (28) Conv. 10¼pc 96, Conv. 10pc 96, Conv. 9pc 2000, Exch. 10½pc 97, Exch. 12¼pc 90, Exch. 10¼pc 95, Exch. 12pc 1013-17, Exch. 12pc 98, Exch. 13½pc 94, Exch. 13¼pc 98, Exch. 15pc 97, Exch. 9¾pc 98, Treas. 10½pc 99, Treas. 12¾pc 95, Treas. 12pc 95, Treas. 13¼pc 97, Treas. 13¾pc 93, Treas. 13¾pc 2000-03, Treas. 19pc 2000, Treas. 14½pc 94, Treas. 14pc 96, Treas. 14pc 98-01, Treas 15½pc 98, Treas. 15¼pc 96, Treas. 8¾pc 95-98, Treas 8½pc Ln 2000, Treas 8¾pc 97, Treas. 9½pc 99, Treas. 9pc 94, Treas 9pc 92-96, INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Asian Dev. Bank 10¼pc 2009, BANKS (2) Captl. Leasing, Sanwa Bk., BREWERS (2) Devenish 4.8pc Cv. Pf., Vaux, BUILDINGS (2) Explaura, Miller (S.), CHEMICALS (1) Amersham Intl., STORES (3) Casket, ERA, Gabicci, ELECTRICALS (3) Electron House, Mays, Telecomputing, ENGINEERING (2) Adwest, VSEL Consortium, FOODS (3) Assoc. Fisheries, Cranswick Mill, Lees (John S.), INDUSTRIALS (14) AIM, Aaronson Bros., Brown & Tawse, CMS Packaging, Eleco, Holders Tech., Lynx Hldgs., Mayborn, NMC, Rexmore, Sale Tilney, Spectrum, Sutar, Whitecroft, LEISURE (1) Ex-Lands, MOTORS (3) Cowie (T.), Kwik-Fit, Plaxton, PAPERS (4) Bemrose, FKB, Klearfold, Yellowhammer, PROPERTY (3) Christie, Ewart, Molyneux Ests., TEXTILES (1) SEET, TRANSPORT (1) Rockwood, TRUSTS (4) Brit. & Comm. 7.75pc Ln. 2000, Cons. Venture Tst., LIT Hldgs., Portugal Fund, WATER (1) [illegible] Hldgs., OILS (2) Burmah 8½pc Ln. 1991-96, Calor, MINES (3) De Beers Df., Elders Res., Metana Minerals, THIRD MARKET (3) Analysis Hldgs, Kromagraphic, Leading Leis.

FINANCIAL TIMES STOCK INDICES

	Feb 28	Feb 27	Feb 26	Feb 23	Feb 22	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	79.75	80.39	80.26	80.15	79.91	87.82	89.29	79.75	127.4	49.18
Fixed Interest	89.31	89.41	89.35	89.20	89.65	98.37	99.69	89.20	105.4	50.53
Ordinary Share	1781.4	1781.5	1776.1	1782.5	1789.8	1664.1	2008.6	1447.8	2008.6	49.4
Gold Mines	287.7	284.7	284.2	295.8	303.3	171.8	378.5	154.7	734.7	43.5
FT-SE 100 Share	2255.4	2254.8	2249.3	2236.7	2269.2	2021.3	2443.7	1782.8	2443.7	986.9

[illegible]

GILT EDGED ACTIVITY

[illegible]

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

Tokai Bank's European director

TOKAI INTERNATIONAL, London subsidiary of The Tokai Bank, Japan, has appointed Mr Rodger Livesey as deputy managing director. This is the first time that a European has been appointed as an executive director. The bank says "it marks a further step in the domestication of the bank's capital market operation."

■ Mr John Emmett has been appointed banking director at LEOPOLD JOSEPH, and will join the board of Leopold Joseph & Sons. He was at Banque Paribas.

■ Mr Geoffrey Meakin, formerly vice president and head, UK property finance group, Manufacturers Hanover Trust Co, has been retained as banking adviser to BRECHER & CO.

■ Mr Oliver Prior, deputy chairman professional and financial risks, non-marine group, has joined the board of Lloyd's broker, WILLIS FABER & DUMAS.

■ Mr Tony Merricks, managing director of Stent Foundations, has been appointed to the board of sister company BALFOUR BEATTY CONSTRUCTION's southern construction division.

■ SHEARSON LEHMAN HUTTON has promoted Ms Carolyn Moses from deputy to head of research in London.

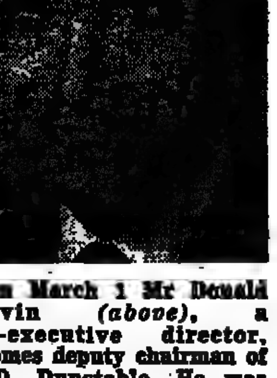
■ Mr Dean Handley has joined BANKERS TRUSTEE COMPANY as associate director with responsibility for unit trusts. He was formerly with Sun Alliance Trust Company.

■ Mr Michael Bardsley, a director of Wood & Wood International Signs, and of Sensor, has been appointed a non-executive director of UNICHEM from March 1.

■ ENTERPRISE OIL has appointed Mr Ray Dafter as director of corporate affairs from March 12. He will join the boards of Enterprise Oil Exploration; and Enterprise (E&P), and will become a member of the group management committee. Mr Dafter is deputy chief executive and head of consultancy with Valin Pollen. Previously he was PR director at the Electricity Council, and before that energy editor of this newspaper.

■ ADAM & COMPANY GROUP has appointed Mr R.M. Entwistle as a director. He is a director of the group's banking subsidiary, Adam & Company.

■ Mr Mike Dodds has been appointed marketing director of POLYCELL PRODUCTS. He was marketing manager at Quaker Oats.



From March 1 Mr Donald Parvin (*above*), a non-executive director, becomes deputy chairman of AWD, Dunstable. He was group chief executive of Matthew Hall before joining AWD last year. Mr Ron Hancock, who joined AWD as managing director in 1987, is returning to his other business interests, but will be available as a consultant.

■ C.I. GROUP, Wolverhampton, has appointed Mr Patrick McTighe as a non-executive director. He is deputy chief executive of the Davy Corporation.

■ MARLING INDUSTRIES has appointed Mr Geoff Browning as a director. He relinquishes his post as joint managing director of subsidiary Boalloy, but remains on its board.

■ CAPITAL & COUNTIES has appointed as non-executive directors: Mr Henri de Villiers, chairman of the Standard Bank of South Africa, and deputy chairman of the Liberty Life Group, and a director of other companies; and Mr Robin Baillie, a director of TransAtlantic Holdings, London & Strathclyde Trust, Boustead, and other companies.

Lord Cairns joins BAT Industries

Lord Cairns, a vice-chairman of S.G.Warburg, the UK investment bank, has been appointed a non-executive director of BAT INDUSTRIES, the tobacco-based conglomerate, *writes Nikki Tait*.

S.G. Warburg was part of the team of advisers used by BAT during its bid defence against Sir James Goldsmith's Hoylake consortium.

BAT's usual UK merchant bank is Lazard Brothers but Warburg was added to the defence team when Hoylake launched its bid in July. Before that, there was little contact between the conglomerate and Warburg.

BAT said that Lord Cairns' appointment represented a desire for City representation on its board. He does not directly replace an outgoing director, although one executive board member has recently retired. It is the first external board appointment accepted by Lord Cairns.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	250	-3	44c	1.4	7.9	8.9
191	134	Abbey National 10p	189	+4	8.5	q3.2	6.2	6.7
*282	120½	Allied Irish Ord.	248	.....	†Q68%	3.3	3.2	12.8
£13½	£11½	Algemene Fl.10	£11½	.....	Q28%	2.0	7.9	6.3
*85	61	Anglo Irish	78	.....	Q18.7%	2.7	5.7	10.6
81	57	Arbuthnot (H.) 1p	78	+5	2.5	♦	4.4	♦
£72¼	£38¼	Bancaire Cie Fr100	£52½	.....	hQ12½%	—	2.5	—
$46¼	£36¾	Banco Bilbao Viz	£38	.....	Q35.7%	2.0	3.6	13.9
£33	£25¾	Banco de Santander	£25¾	.....	Q25%	2.4	4.1	5.5
*286	169	Bank Ireland Ir£1	261	.....	hQ12.7%	3.2	4.5	8.9
£19½	£17½	Bank Leumi	£19½	.....	—	—	—	—
350	345	Bank Leumi (U.K.)	345	.....	†13.5	—	5.2	—
125	88	Bank Scotland	114	.....	†3.8	3.6	4.4	8.2
111¼	95½	Do. 9¼pc Irrd Pf.	96½	.....	9¼%	—	12.8	—
*67	49	Bank of Wales	52	.....	2.8	1.6	7.3	10.9
*588	404	Barclays £1	569	+5	†23.0	3.5	5.4	6.5
31	19	Benchmark 20p	19	.....	1.69	1.0	11.4	10.9
363	285	Brown Shipley £1	313	+3	†10.5	—	4.5	—
455	325	Cater Allen £1	413	+3	23.5	—	7.6	—
259	157	Chancery	162	.....	†8.0	2.8	6.6	7.1
£23¼	£14½	Commerzbk DM10	£20⅞	+⅛	Q18%	—	3.2	—
*£29	£22¼	C'hgn.Hbk.Kr100	£24¼	.....	Q15%	—	6.0	—
£16⅞	£10⅝	Dai Ichi KBk Y50	£10⅞	+⅛	†Q16%	8.8	0.3	38.9
*£318½	£157¾	Deutsche Bk DM50	£270	.....	Q24%	—	1.6	—
£22¼	£17¾	Espirito Santo	£19½	.....	Q75c	3.3	2.3	13.2
260	182	First Nat. Fin. 10p	215	+1	13.0	2.4	8.1	6.6
134	90	FNFC 6.3pc Cv. Pf.	106	-3	6.3%	—	7.9	—
£16⅛	£12⅛	Fuji Bank Y50	£13	+⅛	Q15.6%	4.2	0.2	—
325	230	Gerrard & National	274	+1	18.5	—	9.0	—
154	118	Guinness Mahon 10p	150	.....	¢2.1	—	1.9	—
328	197	Hambros 20p	315	.....	†10.0	—	4.2	—
128	90	Do. 7.5pc Cv Pf.	125	.....	7½%	—	8.0	—
60	39	HK & Shang. HK$2.50	56½	-½	HQ36c	—	4.9	—
495	423	Joseph (Leo) £1	468	.....	15.85	—	4.5	—
145	115	King & Shaxson 20p	138	.....	9.25	—	8.9	—
422	277	Kleinwort Benson Grp.	404	-1	14.0	—	4.6	—
307½	213	Lloyds £1	289	+2	13.3	q2.6	6.1	8.3
56	40	Lon. Scot. Bank 10p	51	.....	2.4	1.8	6.3	10.7
406	287	Midland £1	334	+2	18.0	q2.6	7.2	7.2
£15¼	£10⅝	Mitsubishi Bank Y50	£10⅞	.....	†Q16%	8.1	0.3	42.5
£14⅛	£9⅞	Mitsubishi Tst & Bk Y50	£9⅞	.....	Q16%	8.2	0.3	36.3
934	648	Mitsui Tst & Bk Y50	678	+11	Q16%	7.1	0.5	30.1
*352	269	Nat Aust. Bk. A$1	291	-2	sQ50c	1.6	7.8	8.0
365	255	NatWest £1	352	+3	16.7	q3.2	6.3	6.4
£220	£160	Ottoman Bank	£200	.....	Q90%	—	4.5	—
83	45	Rea Bros. Group	46	.....	0.5	—	1.4	—
*240	155	Rothschild (J) Hldgs.	190	.....	†9.5	3.6	6.7	5.4
227	139	Royal Bk. Scotland	191	+1	7.2	3.8	5.0	6.7
822	569	Saitama Bank Y50	624	+32	†Q13%	4.7	0.4	51.5
*£13¼	981	Sanwa Bank Y50	£10	+¼	†Q16%	8.3	0.3	38.0
1805	870	Schroders £1	1750	+10	19.5	—	1.5	—
1425	655	Do. £1 N/V	1375	.....	19.5	—	1.9	—
£33⅞	£19¼	Sec. Pacific $10	£22⅛	.....	Q51.9c	—	5.3	—
*616	449	Standard Chartd. £1	571	-1	33.9	2.9	7.9	4.9
£19⅞	£12¼	Sumitomo Bank Y50	£12¼	.....	†Q16%	7.5	0.3	51.4
£13⅞	£8⅞	Sumitomo Tst & Bk Y50	£8⅞	.....	†Q16%	8.1	0.4	34.8
147	97	TSB	136	.....	5.8	2.8	5.7	8.8
234	140	TSB Ch'nel Is'l	164	.....	Q6.7	3.5	4.1	8.2
£11⅞	£7⅞	Tokai Bank Y50	£8⅛	+⅛	Q16%	4.1	0.4	61.9
975	733	Toyo Tst & Bk Y50	774	+31	HQ15.2%	6.9	0.4	37.2
611	470	Union Discount £1	563	.....	33.0	—	7.8	—
525	277	Warburg (S.G.)	485	.....	†12.5	—	3.4	—
180	96	Do 6pc Cnv Prf.	160	.....	6%	—	5.0	—
*284	226	Westpac $A1	240	-3	Q52.5c	1.5	9.9	6.6
468	408	Wintrust 20p	408	-7	†7.4	—	2.5	—
1016	691	Yasuda Tst & Bk Y50	714	-7	HQ17%	9.3	0.5	22.8

Hire Purchase, Leasing, etc.

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
545	224	Anglo Grp. 10p	246	.....	†5.0	4.1	2.8	9.3
£190	£99½	Do. 9½pc 1999	£181½	.....	Q9½%	—	9.4	—
*373	110	CLF Yeoman 50p	148	-2	[illegible]	3.4	7.4	4.4
71	56	♦Cambridge Grp Ir5p	66	+1	Q7½%	14.8	0.5	17.0
100	37	♦Capital Leasing Ir 10p	37	-8	†Q12%	♦	3.0	♦
78	51	Cattle's (Hldgs) 10p	64	+1	†3.25	2.2	6.8	9.0
665	576	Kyowa Bank Y50	598	+12	Q14%	4.7	0.5	43.1
408	303	Prov. Financial	390	+4	20.5	♦	7.0	♦
235	100	♦Reflex Invs. Ir5p	226	.....	Q26.4%	♦	0.6	♦
236	146	Secure Trust Grp. 1p	220	.....	W7.09	1.5	4.3	11.1
208	127	Woodchester Ir20p	198	.....	†Q11¼%	6.2	1.1	17.0

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	£9¾	DAF N.V. Fl1.5	£9¾	.....	HQ2.5	1.8	7.2	7.7
162	113	General Mtrs Units	134	.....	NQ12%	-	5.5	-
906	264	Jaguar ...α	848	.....	‡11.6	0.5	1.7	-
*61½	27	March Group 5p ...γ	42	+1	[illegible]	-	[illegible]	-
£207	£94¾	Volkswagen DM50	£191¾	.....	Q20%	2.8	1.8	20.4
£51	£33½	Volvo Kr25	£36	.....	Q56%	3.1	3.7	9.1

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
*505	218	ERF (Hldgs) ...γ	218	.....	15.0	3.7	9.2	3.9
*245	161	Plaxton Grp ...γ	161	-2	H8.5	2.1	7.0	14.4

Components

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
438	375	Abbey Panels	438	.....	3.5	10.8	1.1	11.6
290	185	Airflow Streamlines ...γ	220	.....	6.0	4.2	3.6	8.8
208	143	Bostrom 5p ...γ	190	.....	L5.1	10.6	3.6	9.2
299	191	Dowty 50p	209	+4	18.0	2.3	5.3	10.5

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
725	545	Scot. Cities 'A'	620	+5	24.0	1.0	5.2
195	126½	Scot. East. Inv.	165	+1	3.5	‡	2.9
178	125½	Scottish Inv.	155	+2½	3.66	1.0	3.2
46	18	Do. Warrants	38	+1	-	-	-
105	74	Scot & Merc 'A' 5p	89	.....	4.1	0.7	‡
152	100	Scot. Mort. & Tst.	129	.....	12.8	1.1	2.9
100	85½	Scot. National Tst Inc.	98½	-½	17.4	1.0	10.9
70	25	Do Cap.	59	+1	-	-	-
113½	102½	Do Stepped Prf.	104	-½	5.25	-	6.7

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
36½	24	NZ Oil & Gas NZ50.50	24	.....		-	-	-
*£18¼	£10	Norsk Hydro Kr20	£17¾	.....	Q20%	‡	2.1	‡
30	19	North Sea Assets 5p ...γ	25½	+½	-	-	-	-
£19¾	£13½	Occidental Pet. 20c.	£16¼	.....	QS2.50	-	8.8	-
33	17	Ohio Res.	29½	.....	-	-	-	-
56	23½	Oliver Res. ...γ	27	-½	-	-	-	-
5	2	Pan Pacific Pet.	2½	.....	-	-	-	-
£244	£172	Petrofina SA	£179	+4	BFr416	‡	5.6	‡

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
247	69	Anglesey Mining 9p. γ	165	+5	-	-	-
166	18	Do. Warrants ...γ	85	.....	-	-	-
32½	12	Anglo-Dominion	14	+1¼	-	-	-

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
113	35	UPL Group 10p ...γ	55	.....	‡2.75	1.9	‡	10.4
150	128	Unit Group ...γ	144	.....	5.0	3.3	4.6	8.2
100	66	Video Magic Lrs. 1p γ	84	.....	W2.0	0.7	3.2	67.3
14	4	Vista Ents 5p ...γ	4½	.....	-	-	-	-
40	15	Vizcaya Hldgs 5p ...γ	16	.....	-	-	-	-
46½	23	Westgate Leisure 20p. γ	37½	-½	0.25	1.7	0.9	-
32½	10	Do. Wrnts ...γ	24	.....	-	-	-	-
10¼	4¼	Wilton Group 1p ...γ	4½	.....	-	-	-	-

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- ● Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p ...γ	85	+2
Craig & Rose £1 ...γ	620	.....
Finlay Pkg. 5p ...γ	58	.....
Holt (Jos) 25p ...γ	1340	.....

IRISH

Stock	Price	+ or -
Cap. 8¾% Ln. 1991	£96¾	.....
9pc Cap Ln. 1996	£90¼	.....
Fin. 13% 97/02	£108	.....
Arnotts	440	.....
Carrol (P.J.) ...γ	158	.....
Hall (R. & H.)	185	.....
Helton Hldgs ...γ	91	+1
IRG	218	.....
United Drug	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	48
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen.	31
Lex Service	26
Lloyds Bank	21
Lucas Inds.	54
Marks & Spencer	16
Midland Bk.	26
Morgan Grenfell	38
Nat West Bk.	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord.	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs.	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petm.	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	23½

Mines

Lonrho	25
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ

Brycourt Unit Tst Mngmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX

CCL Unit Trusts Ltd (1400)F

CIBC Unit Tst Managers plc (1200)H

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 4AH

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY

GUIDE TO UNIT TRUST PRICING

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Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Closed to new business

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

OTHER UK UNIT TRUSTS

Merchant Investors Assurance Co Ltd

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 393539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	105.0	108.5	+0.3	−
Managed Growth	136.8	144.1	+1.4	−
Managed Opportunity	140.4	147.8	+1.6	−
NFMC Target Financial	101.7	107.1	+0.9	−
Pension Funds				
Managed Cautionary	107.9	113.6	+0.3	−
Managed Growth	140.9	148.4	+1.5	−
Managed Opportunity	142.1	149.6	+1.9	−
NFMC Target Magd Pen	1493.6	1572.3	+5.7	−

National Mutual Life
The Priory, Priory Pl, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	221.5	233.2	−2.6	−
Managed Prospect Fund	186.0	195.8	−2.1	−
Pens Managed	281.4	296.3	−8.2	−
Pens UK Equity	333.6	351.2	−6.9	−
Pens Overseas Equity	375.8	395.6	+1.4	−
Pens Property	163.1	171.7	+0.3	−
Pens Fixed Interest	174.2	183.4	+2.3	−
Pens Index Linked	145.8	153.5	+3.8	−
Pens Deposit	190.2	200.3	+0.5	−
Barracuda & P.R.P.				
UK Equity	145.8	153.5	−3.0	−
Overseas Equity	134.5	141.6	+0.5	−
Fixed Interest	119.0	125.3	+1.6	−
Property	135.6	142.8	+0.2	−
Index Linked	132.4	139.4	+3.4	−
Deposit	131.9	138.9	+0.3	−
Managed	141.8	149.3	−1.1	−
With Profits	135.3	142.5	+0.3	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	336.8	354.6	+0.9	−
UK Equity	430.6	453.3	+0.7	−
Overseas Eq	344.7	362.9	+2.5	−
Americas	254.8	268.3	+2.3	−
Far East	387.6	408.0	+6.3	−
Property	220.3	231.9	+0.4	−
Fixed Int	216.7	228.2	−1.2	−
Indexed Gilt	137.8	145.1	−0.2	−
Deposit	160.0	168.5	+0.1	−
Pension Fund (Accum Units)				

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Property Initial		167.7	—	−
Money Initial		78.8	—	−
Special Market Initial		134.7	—	−
Japan Equity Initial		182.5	—	−
North American Initial		77.9	—	−
Pacific Initial		77.1	—	−
Technology Initial		105.3	—	−
Nat Resources Initial		56.4	—	−
European Initial		90.2	—	−
Residential Prop Init		103.5	—	−
Swiss Equities Initial		35.3	—	−
Hong Kong Initial		45.5	—	−
UK High Inc Eq Init		67.8	—	−
Int Fixed Interest Init		48.6	—	−
Int Managed Init		54.3	—	−
HIP Managed Init		112.6	—	−
Broker Funds				
High Performance	73.4	77.4	—	−
Towerhill Magd Fd Acc	51.0	53.7	—	−
YRA Executive Fd	90.5	95.2	—	−
£ Global Growth Acc	130.5	137.6	—	−
£ High Income Money Acc	111.4	117.7	—	−
IM Balanced		53.8	—	−
H.F. Speculator Fd		150.9	—	−
PEP Acorn II		122.0	—	−
PEP Cautionary		89.6	—	−
AAFS Int Man Fund		118.6	—	−
Anderson-Grant Inv Port		102.1	—	−
Individual Pension Funds				
UK Equity Acc	217.7	229.7	—	−
UK Fixed Interest Acc	176.4	186.1	—	−
Intl Equities Acc	233.2	246.0	—	−
UK Managed Acc	178.1	187.8	—	−
Property Acc	210.7	222.3	—	−
Money Acc	135.8	143.3	—	−
Special Market Acc	270.5	285.4	—	−
Japan Equity Acc	208.1	219.6	—	−
North American Acc	120.6	127.3	—	−
Pacific Acc	187.8	198.2	—	−
Technology Acc	178.3	188.1	—	−
Natural Resources Acc	110.7	116.8	—	−
European Acc	128.9	136.0	—	−
Residential Prop Acc	113.5	119.8	—	−
Swiss Equities Acc	36.4	38.5	—	−
Hong Kong Acc	47.3	49.9	—	−
UK High Inc Equ Acc	74.9	79.1	—	−

Sharp (Albert E.) & Co.
12 Newhall Street, Birmingham B3 3ER 021 200 2244

	Bid Price	Offer Price	+ or −	Yield Gross
Man-Clerical Mgd	141.3	148.8	—	−
Pens Man NM	653.3	687.6	+9.9	−

Siltala Fund Managers Limited
Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

	Bid Price	Offer Price	+ or −	Yield Gross
Siltala Managed Funds				
Royal Heritage SOF	102.7	108.2	—	−
Royal Heritage CGF	130.8	137.7	—	−
Royal Heritage HIF	137.4	144.7	—	−
Royal Heritage RIF	94.0	99.0	—	−
Target SOF	106.3	111.9	—	−
Target CGF	102.9	108.4	—	−
Target HIF	101.0	106.4	—	−
Target RIF	101.6	107.0	—	−

South Yorks Investment Management
Hooton Pagnell, Doncaster DN5 7DW 0977 640331

OFFSHORE AND OVERSEAS

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Intl Capital Fd	5	$53.47	53.47xd	58.12	(z)	−
Far East & Pacific Fd	5	$42.29	42.29	45.82	−1.52	−
North America Fd F	5	$13.29	13.29	14.36	(z)	−
Canadian Fd. A	5	C$12.75	12.75	13.78	(z)	−
Intl Bond Fd	5	$12.01	12.01	12.71	+0.05	2.17
European Fund A	5	$11.85	11.85	12.87	(z)	−
British Fund A	5	£5.041	5.041	5.458	(z)	−
RBC Intl Currencies Fd Ltd						
US$ A		$−		35.79	+0.01	−
Canadian $ A		C$−		45.18	+0.02	−
£ Sterling A		£−		19.84	+0.01	−
D-Mark A		DM−		65.95	+0.02	−
Swiss Francs A		SFr−		49.69	+0.01	−
Japanese Yen A		Y−		8,008	+1	−
Managed Fund A		$−		39.21	+0.02	−

Latest RBC Fund Prices 24hr service 0481 710598

JERSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Luxembourg SA–Contd.						
Dollar Bond	$	–	1.96		—	–
Sterling Bond	£	–	1.00		—	–
European Currency Bond	Ecu	–	1.44		-0.02	7.53
Intl Conv Bond	$	–	2.09		—	–
Dollar Reserve	$	–	2.03		—	–
Sterling Reserve	£	–	1.05		—	–
Deutschmark Reserve	DM	–	5.04		—	–
Yen Reserve	Y	–	505.00		—	–
Henderson Management SA						
21–25 Allee Scheffer L-2520 Luxembourg. 01-638 5757 or 010-352 462252						
Henderson Horizon Fund						
Japanese Portfolio	$	–	13.88	14.46	+0.43	–
Japan Smllr Cos P'flio	$	–	20.71	21.88	+0.62	–
Pacific Portfolio	$	–	11.65	12.30	+0.22	–
Nth American P'folio	$	–	4.95	4.82	+0.02	–
European Portfolio	$	–	8.57	9.00	+0.30	–
UK Portfolio	$	–	5.94	6.27	+0.01	–
Global Portfolio	$	–	9.49	10.03	+0.25	–
Fixed Int. Portfolio	$	–	9.24	9.70	+0.07	–
Inv Cos Portfolio	$	–	9.54	10.02		–
Dollar Liquidity P'folio	$	–	0.8254	0.8276	[illegible]	–
Stlg Liquidity P'folio	£	–	1.1708	1.1738	[illegible]	–
Hill Samuel Investment Services Intl SA						
Marktgasse 63/65, 3001 Berne, Switzerland 224051						
Hill Samuel Global Portfolio						
Global Equity			$9.48		—	–
Global Bond			$9.32		—	–
Global Managed			$9.40		—	–
Sterling Fixed Int			£9.45		—	–
European Fixed Int			DM8.92		—	–
UK Equity			£9.15		—	–
UK Smaller Co's Eqty			£9.56		—	–
Nth American Equity			$9.33		—	–
US Smaller Co's Eqty			$9.32		—	–
Japanese Equity			Y941		—	–
European Equity			DM9.67		—	–
Pacific Basin Equity			$9.33		—	–
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Atlas Fund						
Global Cap Portfolio	$	–	2.401	2.547	[illegible]	0.4
United States Portfolio	$	–	2.381	2.526	[illegible]	0.2
United Kingdom Portfolio	£	–	1.074	1.140	[illegible]	1.4
Contl Europe Portfolio	DM	–	4.254	4.509	[illegible]	0.5
Europrime Portfolio	£	–	1.025	1.085	—	–
Japan Portfolio	£	–	0.878	0.932	[illegible]	–
Pacific Portfolio	$	–	2.654	2.812	[illegible]	1.0
Gold Portfolio	$	–	2.295	2.434	[illegible]	–
UK Growth of Income	£	–	1.167	1.238	—	2.5
Sterling Gilt Portfolio	£	–	0.950	1.006	[illegible]	8.5
Global Bond Portfolio	$	–	1.925	2.043	[illegible]	5.2
Dollar Portfolio	$	–	2.054	2.056	[illegible]	8.4
Yen Portfolio	Y	–	0.902	0.905	[illegible]	4.0
Sterling Portfolio	£	–	1.036	1.037	[illegible]	12.2

	Bid Price	Offer Price	+ or -	Yield Gr's
Lazard Fund Managers–Contd.				
Lazard Japan Fund	$53.45	57.15	—	–
Lazard Nth Am.	$20.34	21.56	—	3.8
Lazard Sel Port £ Cap.	£13.70	14.8	—	–
Lazard Sel Port £ Inc.	£9.18	9.67	—	12.7
Lazard Sel Port $ Cap.	$13.41	14.49	—	–
Lazard Sel Port.$ Inc.	$8.55	9.02	—	7.9
Lazard U.K.	£1.308	1.371	—	3.0
M & G Island Fund				
Island	650.6	689.6	-0.1	2.90
(Accum Units)	1264.5	1342.5	-0.2	2.90
Mill Financial Mngt Intl Ltd				
Mngd. Currency	£6.531	6.862	+0.005	6.38
Mill Portfolio Selection Fund Ltd				
Conscience	£1.051	1.096	—	1.47
Far East Gwth	$1.329	1.413	+0.025	0.00
Smaller Co's	£0.96	1.021	+0.001	1.15
Special Sits	£0.970	1.031	+0.004	0.78
Intl Bond	$0.883	0.990	+0.003	6.30
American Fund	$1.912	2.033	+0.020	2.29
American Smaller Cos.	$1.162	1.296	+0.009	0.00
Australian Fund	£1.568	1.668	-0.012	1.91
British Fund	£1.518	1.614	+0.008	5.43
European Fund	£2.146	2.282	+0.009	0.92
Gold Fund	£0.766	0.814	—	0.00
Hong Kong Fund	£1.636	1.740	+0.009	3.65
International Fund	£1.390	1.478	+0.021	0.35
Japanese Fund	£2.894	3.078	+0.101	0.00
Japan Smaller Cos.	£4.998	5.317	+0.122	0.00
Singapore & Malaysian	£1.511	1.607	+0.021	0.05
Dollar Fixed Interest	$0.997	1.060	+0.003	6.92
Sterling Fixed Int.	£0.893	0.950	+0.001	11.40
Deutschmark Currency		DM5.029	—	4.36
Dollar Currency		$1.004	—	4.91
Sterling Currency		£1.095	—	10.48
Yen Currency		Y201.1	—	1.40
Managed Currency	£0.991	1.054	—	6.94
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,765	3,802	—	–
New Generation Fd. S.	$22.74	22.97	—	–
Japan Index Alpha	Y12,703	12,995	—	–
Jap Sector Rotation	Y9,723	9,868	—	–
Strongbold Asset Mngmt (Guernsey) Ltd				
Tech and Comm.	£12.01	12.75	—	–
Pacific Basin Fd.	$116.63	123.75	—	–
Western European	$20.07	21.45	—	–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.27	1.34	+0.02	–
Hi Yield Bond	63.4	66.7	+0.2	14.99
Internat. Spec. Sits.	50.3	58.9	+0.4	–
Marconodel Fd.	83.3	87.6	+3.1	–
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$695.49		—	–
Fixed Income Shares	$805.37		—	–
Wellington Fd. Mngrs (Guernsey) Ltd				

[illegible]

JERSEY (**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

DUBLIN (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar improve

STERLING SHRUGGED off poor UK trade figures yesterday and the dollar was firm on unexpectedly strong fourth quarter growth in the US economy.

The pound fell sharply on news that the UK current account deficit in January had widened to £1.88bn from a revised £817m in December, but then recovered on suggestions that the January figure did not mark a change in the improving trend. The Central Statistical Office attributed the larger than forecast deficit - expectations in the market centred on a shortfall of about £1.3bn - to erratic items.

Dealers regarded sterling's fall to a low of DM2.8475 as an opportunity to buy the currency back at a cheaper level, but not everyone was happy that the January trade position could be so easily dismissed.

Mr Nick Parson's, economist at Union Discount, said the market bought the pound because charts point to a continued rise in the value of the currency, but charts cannot predict when a trend will change. He added that in his view the official reason for the extremely large deficit was suspect, and that by blaming the figure on erratic items the authorities were trying to "have their cake and eat it".

Mr Parson's noted that erratic items added only £5m to the January deficit, but the December figure had benefitted by £390m from erratic items and the erratic figure for November reduced the shortfall by £310m. It was more a matter of erratic items reducing earlier deficits rather than increasing the January figure.

But this did not mean sterling would weaken in the short term - it is too expensive to fund short positions in the pound at present high UK interest rates - but it did mean that further bad economic news could lead to a fall in the pound's value, according to Mr. Parson.

The pound bounced back and closed firmer on the day in London at DM2.8675, compared with DM2.8500 on Tuesday. It also advanced to SFr2.5200 from SFr2.5150 and to FFr9.6975 from FFr9.6475, but was unchanged at Y251.50, and fell 20 points to $1.6900. Sterling's index, on Bank of England figures, rose 0.3 to 89.9.

The dollar rose on publication of a revision to US Gross National Product growth in the fourth quarter of last year. The revised growth in GNP was put at 0.9 per cent, against a previous estimate of 0.5 per cent. Economists expected a small downward revision to 0.4 per cent. In moderate trading the dollar advanced, climbing to DM1.6960 from DM1.6840 at the London close. It also rose to SFr1.4910 from SFr1.4830; to FFr5.7375 from FFr5.7025; and to Y148.80 from Y148.60. The dollar's index gained 0.1 to 67.6.

A rise in Tokyo equity prices and further intervention by the Bank of Japan encouraged a steadier performance by the Japanese yen. Intervention was estimated at $500m to $1bn.

EURO-CURRENCY INTEREST RATES

Feb 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15-14⅞	15⅛-15	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅞-8⅛	8⅞-8⅞
Can. Dollar	14⅛-13⅞	13⅞-13⅝	13⅛-13⅛	13⅛-13⅛	12⅞-12⅞	12⅞-12⅞
D. Guilder	8⅝-8⅛	8⅞-8⅛	8⅞-8⅞	9-8⅞	9⅛-9⅛	9⅛-9⅛
Sw. Franc	9⅛-8⅞	9⅛-8⅞	9⅞-9⅞	9⅛-9⅛	9⅛-9⅛	9⅞-9⅛
Deutschmark	8⅛-8⅛	8⅛-8⅛	8⅞-8⅛	8⅞-8⅞	8⅞-8⅞	[illegible]
Fr. Franc	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅞-10⅞	11⅛-10⅞	11⅛-11⅛
Italian Lira	13-11	13-12	12⅞-12⅞	13-12⅞	13⅛-12⅞	13⅛-13⅛
B. Fr. (Fin)	10⅛-10⅛	10⅛-10⅛	10⅞-10⅞	10⅞-10⅛	10⅞-10⅞	10⅞-10⅞
B. Fr. (Con)	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅞-10⅛	11-10⅞

£ IN NEW YORK

POUND SPOT- FORWARD AGAINST THE POUND

STERLING INDEX

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY RATES

CURRENCY MOVEMENTS

EMS EUROPEAN CURRENCY UNIT RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

MONEY MARKETS

Firm on trade data

A larger than expected UK trade deficit in January led to a firming of interest rates on the London money market yesterday. Three-month sterling interbank rose to 15⅛-15⅛ per cent from 15⅛-15⅛, but there was no immediate fear that the large current account deficit would result in pressure on sterling and a rise in UK bank base rates. One-year money was little changed at 15⅛-15⅛ per cent, against 15⅛-15⅛ on Tuesday.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in short supply. The Bank of England initially forecast a shortage of around £1,600m, but revised this to £1,550m at noon. Total help of £1,495m was provided.

An early round of help was offered, and at that time the authorities bought £147m bank bills outright in band 2 at 14⅞ per cent. Before lunch another £352m bills were purchased, via £1m Treasury bills in band 1 at 14⅞ per cent; £91m bank bills in band 1 at 14⅞ per cent; and £260m bank bills in band 2 at 14⅞ per cent.

In the afternoon £521m bills were bought, by way of £24m Treasury bills in band 1 at 14⅞ per cent; £145m bank bills in band 1 at 14⅞ per cent; £1m Treasury bills in band 2 at 14⅞ per cent; and £351m bank bills in band 2 at 14⅞ per cent. Late assistance of around £475m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,295m, with Exchequer transactions absorbing £300m, and a rise in the note circulation £115m. These factors outweighed bank balances above target of £120m.

In Frankfurt call money rose to 8.05 from 7.95 per cent as banks bid for funds to meet end of month reserve requirements. Nevertheless the market viewed the Bundesbank's injection of money at this week's securities repurchase agreement tender as an indication that the West German authorities do not want to see a rise in the underlying level of interest rates at present. Today's meeting of the Bundesbank council is expected to concentrate on monetary union rather than the level of rates.

The central bank accepted bids of DM35.2bn at the tender, injecting a net DM8.3bn as two earlier pacts, totalling DM26.9bn expired. An allocation of DM22.7bn was made of 34-day funds at rates of 7.80 to 8.10 per cent and DM12.5bn of 62-day money at 7.95 to 8.25 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

JOTTER PAD

CROSSWORD

No.7,177 Set by CINEPHILE

ACROSS

1 Rule of other roads that Tories see as dungeon? (4,2,3,5)
10 Bit of a stunt I liked before (5)
11 Departed even precisely on a line (4,5)
12 Foot the left-wing terrorist? (7)
13 Half even were delighted, turning back to weaken the centre? (7)
14 Iron papers? (5)
16 Tell tales to upset Ceres eating a little something (9)
19 Soar point (correct spelling) for a pesticide (3,6)
20 Terry's excellent part (5)
22 Came unexpectedly on fire (7)
25 Compiler takes number to wrecked ship on Nile or Mississippi (7)
27 Tie back a minimum amount of money with aromatic seeds (5,4)
28 Beat and stir broth (5)
29 Most people's misconception of Corfu: all apply a correction (7,7)

DOWN

2 Outward looking wanderer in corrupt text (9)
3 Guide to religious group (5)
4 Tell a very senior NCO to put his rifle down (5,4)
5 Home Secretary sounds audible (5)
6 Application for lace never granted (9)
7 Hammer handed to student (5)
8 Solvent of quality without much of a clue (7)
9 Put under back row (4-2)
15 Long boy? Apparently not! (5,4)
17 Brief day at sultanate, one with a sort of obsession (9)
18 Acid that makes Lupus rich (9)
19 List with first place going to desk (4-3)
21 Cromwell's victory by North Sea perhaps (6)
23 Inform oneself on rise of word-play, for example (3,2)
24 Gloomy otologist, possibly (5)
26 Element in some tales (5)

Solution to Puzzle No.7,176

APATHY COMMERCE / PROJECT EPISTLE / NAGS TOPSYTURVY / SPIRIT CAPITAL / TENSION YEOMEN / ADVOCATION OSLO / GASMAIN ADORING / REASSESS TAREST

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb 28	Feb 27	Feb 26	Feb 23	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2627.25	2617.12	2602.48	2564.19	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.19	91.18	91.03	91.03	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1129.09	1116.29	1099.40	1081.26	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.38	218.88	218.50	216.86	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2652.48 (2637.90) Low 2603.60 (2592.12)

STANDARD AND POOR'S

	Feb 28	Feb 27	Feb 26	Feb 23	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	331.89	330.26	328.67	324.15	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	382.02	380.42	378.51	373.15	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.84	28.64	28.60	28.17	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	183.07	182.16	181.26	179.35	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	352.90	351.40	350.36	351.10	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	425.83	422.61	420.95	419.52	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 23	Feb 16	Feb 9	year ago (approx.)
Dow Industrial Div. Yield	4.26	4.14	4.09	3.75

	Feb 21	Feb 14	Feb 7	year ago (approx.)
S & P Industrial div. yield	3.16	3.11	3.09	3.18
S & P Ind. P/E ratio	14.32	14.21	14.23	13.50

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Fst Germany Fd	8,639,800	39¾	—
First Bk Sys	3,382,100	14¾	+ ⅛
Texas Utilities	3,054,300	34¾	—
Exxon	2,504,600	47	− 1⅛
Philip Morris	2,253,000	37	− ⅛
Am Express	1,988,300	29⅛	+ 1
Pfizer	1,916,400	58⅞	− ⅛
Gen Elect (xd)	1,780,400	61⅛	+ ⅛
Raytheon	1,704,700	26⅛	− ⅛
Am T&T	1,590,200	39⅞	+ ⅛

TRADING ACTIVITY

† Volume Millions	Feb 28	Feb 27	Feb 26
New York	184.410	152.590	148.406
Amex	13.159	13.204	11.239
NASDAQ	(u)	130.853	114.596
Issues Traded	1,968	1,965	1,937
Rises	928	903	820
Falls	566	565	634
Unchanged	474	497	483
New Highs	29	17	6
New Lows	47	44	87

CANADA

TORONTO	Feb 28	Feb 27	Feb 26	Feb 23	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3010.87	2946.90	2947.75	2921.05	3919.2 (1/9/89)	2921.05 (23/2/90)
Composite	3686.70	3660.28	3649.49	3652.59	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1880.99	1867.02	1862.83	1852.36	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 28	Feb 27	Feb 26	Feb 23	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1575.1	1570.4	1546.2	1581.0	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	794.6	792.7	782.0	795.4	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	662.10	655.51	645.56	655.58	663.28 (19/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5679.33	5619.40	5568.16	5656.33	6605.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	365.96	367.35	363.06	366.43	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	654.2	651.6	652.0	657.9	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	497.51	494.68	482.94	494.64	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1849.68	1825.38	1804.10	1803.62	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	756.86	752.57	740.82	751.25	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2206.8	2194.9	2161.6	2192.0	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1809.92	1804.32	1776.04	1789.64	1959.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2951.98	2932.62	2872.63	2894.31	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1796.27	1797.03	1792.33	1790.36	1883.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	655.71	651.77	646.73	661.45	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	34591.99	33897.95	33321.87	34890.97	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2565.54	2500.04	2448.31	2554.31	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4090.79	3963.58	3899.13	4076.43	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	603.18	592.91	591.50	601.25	622.20 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tdl.Rtn.Gen.(End 1983)	244.8	244.1	240.1	242.2	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	187.8	187.3	184.2	185.8	218.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	793.93	796.94	782.34	793.27	816.41 (16/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1015.95	1021.85	1025.21	1031.97	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	429.29	424.77	417.73	428.45	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1916.8	1891.8	1857.0	1919.0	2254.0 (12/12/89)	1291.8 (15/2/89)
JSE Industrial (28/9/78)	3006.0	2974.8	2957.0	3022.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	861.59	859.83	833.81	850.84	1007.88 (1/4/89)	833.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	273.41	272.13	269.19	273.82	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1175.10	1169.80	1154.50	1160.40	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	756.0	760.0	752.5	759.3	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11661.73	11431.20	11086.63	11814.35	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	813.67	804.82	801.21	818.32	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	510.6	505.2	514.4	571.0 (4/1/90)	407.6 (13/6/89)

**Saturday Feb. 24: Taiwan Weighted Price: 11650.66 Korea Comp Ex. 845.25
a Subject to official recalculation. † Correction.
♦Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday February 28 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	18.9m	883	+6	Tekken	12.4m	1,900	+30
Fujita	14.9m	1,910	+50	Hitachi	11.4m	1,540	+20
Maeda Rd Cstr	13.6m	2,860	+160	Chiyoda	11.3m	1,940	+160
Sharp	12.8m	1,860	+30	Pioneer	11.2m	5,670	+150
Kawasaki Steel	12.8m	720	+7	Tokyo	10.8m	2,100	+60

4pm prices February 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
37½	24¾	AAR	.48	1.5	19	115	31½	30¾	31½	+ ¾
9¾	8½	ACM n	1.28	14.		131	9⅛	9⅛	9⅛	+ ⅛
11⅜	10⅞	ACMIn	1.28	11.		649	11⅛	11⅛	11⅛	− ⅛
9⅞	7⅞	ACM M	n1.01	13.		636	8⅛	8	8	
12⅛	11½	ACMMM				127	11⅝	11⅝	11⅝	+ ⅛
11½	10	ACM Sc	1.28	11.		1136	11⅛	11	11⅛	
9⅝	8⅛	ACMSp	1.01	11.		584	9⅛	9	9⅛	− ⅛
20	11½	AL Lab	.16	.8	21	282	u20⅛	19⅞	20⅛	+ ⅛
4⅛	3⅛	AMCA	.12e	3.7	41	5	3⅛	3⅛	3⅛	
6⅛	3⅜	AM Ind			5	134	3⅜	3⅜	3⅜	
23½	16⅞	AM In pf	2	12.		3	16⅞	16⅞	16⅞	
107¼	52½	AMR			8	7862	61¼	59⅞	60⅞	+ ⅞
34¾	23¼	AMR pf	2.12	8.8		2	24⅛	24⅛	24⅛	
5½	3⅛	ARX				72	3½	3⅜	3⅜	− ⅛
72⅛	39	ASA	3a	5.7		1408	53⅛	52⅛	52⅞	
70⅛	50⅛	AbtLab	1.40	2.2	17	4107	64½	63	64⅛	+ ⅞
17¾	11¼	Abitibi g	.50			61	12⅝	12½	12⅝	+ ⅛
13	8⅞	AcmeC	.40	4.0	11	206	10⅛	9⅞	10⅛	+ ⅛
9⅝	6	AcmeE	.32	3.6	11	22	8⅞	8⅞	8⅞	
38½	27	Acuson			21	377	33¼	32¾	33⅛	+ ⅞
16½	12⅞	AdaEx	2.08e	13.		124	16⅛	16⅛	16⅛	− ⅛
15⅝	7¼	Adobe				109	13¼	13	13⅛	+ ⅛
10½	6⅞	AMD			6	6086	8⅞	8⅛	8⅞	− ⅛
35	28¼	AMD pf	3	10.		7	29⅝	29⅝	29⅝	
10⅛	6	Advest	.16	2.5	8	223	6½	6⅛	6⅛	− ⅛
62½	48½	AetnLf	2.76	5.5	9	2073	50⅝	50	50	− ½
14	9⅞	AflPb	.24	2.2		1345	10⅞	10⅝	10⅞	+ ⅛
26	16⅛	Ahmans	.88	4.8	10	4772	18¼	18⅛	18	
3⅞	2	Aileen				10	2⅛	2⅛	2⅛	
50¼	40	AirPrd	1.32	2.9	12	834	45¼	44⅝	45¼	+ ⅝

Continued on Page 39

مكتبة الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices February 28

AMEX COMPOSITE PRICES

4pm prices February 28

...tinued on Page

FINANCIAL TIMES Thursday March 1 1990

AMERICA

Dow improves as key data on inflation are revised

Wall Street

A SHARP rally in the Japanese stock market overnight helped US equities overcome disappointment about the late bout of profit-taking seen on Tuesday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 10.14 points higher at 2,627.25 on active volume of 184m shares. On Tuesday, the Dow had stood more than 25 points higher at one stage but then dipped back during the afternoon session to close 14.63 points higher at 2,617.11.

All major US indices were higher yesterday. Although blue chips have been outperforming secondary stocks, smaller capitalisation issues have also improved so far this week. On the over-the-counter market, the Nasdaq Composite index registered a gain of 3.22 points to stand at 425.83.

In Japan, the Nikkei 225 index jumped 694.04 to 34,591.99, managing to recoup more of Monday's plunge.

There was more encouraging news on the inflation front with both key indicators of inflation attached to the GNP release revised downwards.

The combination of slightly stronger growth in the final quarter of last year with a lower inflation profile was clearly positive for the stock market.

The bond market, which at first registered modest gains, then fell quite sharply during the afternoon session. In late trading, the long bond was quoted ⅞ point lower. The dollar firmed after the GNP figures, quoted near its session highs in late trading in New York at Y149.00.

Mr Alan Greenspan, chairman of the US Federal Reserve, told the House of Representatives Budget Committee that the probability of a recession had now slipped below 50 per cent and said that growth in the first quarter of this year should be slow but positive.

Among featured issues yesterday was Exxon which fell $1⅛ to $47⅞ after being indicted on five felony and misdemeanor counts in relation to the Exxon Valdez oil spill. If convicted, the company could face fines of more than $600m.

Shearson Lehman Hutton, the brokerage firm which is receiving a total of $1.35bn in new capital from its parent American Express, was up $¾ to $12⅝ after its annoucement that it will cut 2,000 jobs over the next month in a review which aims to achieve annual savings of $400m. American Express added $1 to $29⅝.

Harcourt Brace Jovanovich was unchanged at $2¾ after reporting fourth quarter net income from continuing operations of 73 14 cents a share compared with a loss of $1.09 a year earlier.

Union Carbide rose $⅜ to $24⅛ amid fresh speculation about a possible takeover or restructuring. The monthly board meeting was scheduled for yesterday.

Among blue chip issues, Boeing jumped $2¾ to $63⅞, American Telephone & Telegraph was up $⅛ at $39¾, General Electric added $¼ to $61¾ and Sears, Roebuck edged $⅛ higher to $41⅛.

Canada

STOCKS closed mostly firmer in thin trade, dealers said. "Bargain hunters stepped in because the market is oversold," analyst Mr Joe Ismail of Moss Lawson and Co said.

The composite index rose 26.42 to 3,686.7 on volume of 24.5 m shares. Advances led declines 391 to 295. Rising interest rates are lowering housing starts, causing real estate and construction shares to drop, Ismail said. Gold shares recovered part of recent losses, despite sliding bullion prices.

Berlin plans to grow in financial stature

Andrew Fisher examines a middle-ranking bourse's position as the map is redrawn

SINCE THE breaching of the Wall, the world's attention has centred on Berlin. Now the big question is whether a reunited Berlin will become the capital of a united Germany; but more important to the financial world is the extent to which the city will increase in financial stature, now that the old political and economic assumptions have been blown apart.

In spite of West Berlin's industrial status – it is the biggest industrial centre in the Federal Republic and the whole city's gross national product exceeds that of Portugal – it is by no means a stock *market leader.* West Germany's bourse system is dominated by Frankfurt, with Düsseldorf an increasingly distant second. Between them, they account for about three-quarters of total business.

Berlin, which is much stronger in share dealing than in bond trading, ranks at about the middle of the eight bourses, which also include Munich, Hamburg, Stuttgart, Hanover and Bremen. Mr Wilfried Hübscher, the new chief executive of the Berlin Stock Exchange, hopes the move towards unity will give the city, the financial capital of pre-war Germany, an uplift.

"We have to think in both visionary and realistic terms," he says. "Seldom have conditions been so favourable for us." Neither he nor other stock market officials and experts, however, expect Berlin to come anywhere near displacing Frankfurt as the main stock market. Frankfurt is where the big banks have their headquarters and where most investment has taken place.

Ashley Ashwood

The Brandenburg Gate presides over hopes of renaissance

Mr Hübscher, previously with the Federation of German Stock Exchanges in Frankfurt, says that foreign banks, of Japanese as well as European domicile, have shown strong interest in becoming members of the Berlin Stock Exchange; and so have German brokers. Banks from the East could also join, if they set up branches in the West. At present, there are 50 members.

Apart from a basic fee of up to DM12,000, new members will have to pay sums ranging from DM10,000 to DM250,000, depending on their business volume, to pay for the new prices screen. Costing more than DM2m ($1.2m), it is the biggest liquid crystal display screen at any European bourse.

However, it is not the size of the screen that should focus more attention on Berlin, but the prospect, after a phase of intensive economic restructuring, of dynamic growth in East Germany – and thus of efforts to raise equity and loan capital. Berlin could benefit from the flotation of viable parts of the Kombinate, the state-owned industry groups; the listing of joint ventures and participation funds; helping new companies, which should spring up once the legal basis has been formed; and raising loans for east European public bodies.

The issue of giving East German citizens a stake in their country's growth, along with their new political and economic freedom, has exercised economists on both sides of the border. This could mean the issue of Volksaktien (people's shares) in companies and property, with preference possibly going to employees.

Berlin's small size in relation to other markets could be an early advantage, Mr Hübscher reckons. For East Germans, Poles or other east Europeans wanting to familiarise themselves with stock exchange practice, Berlin is probably more manageable than big markets such as Frankfurt or London.

Maybe German cities in the East will one day develop their own markets, although no-one is yet talking about bourses in Leipzig or Dresden. Mr Hübscher's hope is that the need will be met from Berlin.

EUROPE

Gentle advances precede capital increase plans

IT WAS a day of gentle improvement in most bourses, although capital increase plans in Germany and Italy may put that equilibrium to the test, *writes Our Markets Staff.*

FRANKFURT saw debatable positions taken in individual stocks as the market itself stayed in equilibrium.

Thyssen rose another DM5 to DM301, up DM14 over two days, and topped the volumes list in turnover of DM454m. Mr Mark Hawtin of BNP Securities felt that buyers, looking at east European prospects, were giving too little weight to the cyclical risks in steel, which made 56 per cent of group profits last year; he is going for flat to lower earnings in 1989/90.

Conversely, Munich Re, the world's biggest reinsurer, fell another DM90 to DM2,210 for a three-day drop of DM285. This could reflect three days of storms across Europe.

However, Mr Tim Dawson, continental insurance analyst at brokers BZW, observed that the storm losses were probably negligible – maybe one half of a percentage point of insurance company net asset values – and that recent declines in bond and equity markets may be more important.

The DAX index rose 5.60 to 1,809.92, after a 4.31 rise to 756.88 in the FAZ at midsession. Volume virtually stood still at DM5.7m.

The market closed before Volkswagen, down DM3 at DM554, came out with a one-for-10 rights issue, which could raise well over DM1bn.

MILAN heard after hours that Montedison had proposed a L10,000bn ($8bn) capital increase for Enimont, the chemical company it set up in a joint venture with Eni, the state energy group. The Enimont chairman resigned yesterday and the shares fell from an unchanged L1,470 at the close to L1,420 in after-hours trade.

The Comit index closed 3.94 higher at 655.71, featuring a L150 rise in Benetton to L8,080, after a L120 rise on Tuesday, following the US Federal Trade Commission's decision to drop proceedings against the company in relation to its US franchise practices.

PARIS advanced again and turnover showed signs of picking up, after news of a better-than-expected French trade deficit for January. The deficit shrank to FFr740m from FFr2.44bn in December.

The CAC 40 index gained 24.30 points, or 1.3 per cent, to 1,849.68 and turnover was estimated at more than FFr2bn, after the previous day's very light FFr1.6bn.

Blue chips made healthy gains in fairly good volume, as portfolio managers went buying on the last day of the month. Suez was the most active stock, gaining FFr6.90 to FFr431.90, with 670,400 shares traded, and Peugeot rose FFr12 to FFr790 on 280,780 shares.

Not all sectors were caught up in the enthusiasm, however, with packaging issues showing declines. CMB, the second most active issue, dropped FFr7.30, or 4.3 per cent to FFr163.30 after a leading Paris broker downgraded its earnings estimate for the company. Analysts are worried that the weakness of sterling will adversely affect the results of CMB, which was formed in April last year by a merger of Carnaud of France and Metal Box Packaging of the UK.

Pechiney International, the aluminium and packaging company, lost FFr3 to FFr139 with 270,300 shares exchanged, also on a downward revision of profit forecasts by analysts.

BRUSSELS moved higher in spite of uncertainty over interest rates. The cash market index rose 59.93 to 5,679.33.

Générale de Banque, Belgium's largest bank, rose in spite of its announcement of a huge fall in 1989 profits, after it made provisions for loans to developing countries. Générale de Banque climbed BFr180 to BFr4,705 while its parent, Société Générale de Belgique, was BFr40 up at BFr3,165, with 33,000 shares traded.

FN, the arms maker, gained BFr33, or 10 per cent, to BFr330 amid speculation that its main shareholder, again Société Générale de Belgique, was putting together a rescue package for the struggling company.

Cockerill, the steelmaker, was one of the best performers, attracting bargain-hunters to finish BFr9, or 5.2 per cent, higher at BFr183, as a heavy 220,000 shares changed hands.

MADRID continued to recover, as the general index rose 1.28 to 273.41 in light volume. The construction sector strengthened again, with Cristaleria rising Pta54 to Pta1,094 and Valenciana de Cementos adding Pta145 to Pta3,225.

AMSTERDAM was little changed in quiet trading, with a decline in domestic bond prices tipping shares off their highs. The CBS tendency index rose 0.1 to 106.6.

Amro, the Netherlands' second largest commercial bank, gained 60 cents to Fl 75.50 after reporting a 45 per cent profits rise.

Philips lost 10 cents to Fl 41.10 before announcing results today and after news that Mr Cor van der Klugt, the chairman, will retire in July.

VIENNA's bourse index broke through the 700 level, hitting a record 701.64, up 8.83, in moderate trading as foreign investment funds returned to the market.

STOCKHOLM improved in moderate trade worth SKr334m. The Affärsvärlden general index rose 6.1 to 1,175.1. OSLO was mixed in moderate activity, with investors taking some profits. The all-share index rose 1.05 to 608.11 in trading worth a total of NKr375m.

HELSINKI advanced slightly in trade still stifled by the banking pay dispute. The Unitas all-share index rose 2.6 to 654.2.

ASIA PACIFIC

Nikkei posts seventh largest gain in history

Tokyo

THE MOOD on the market was better yesterday, as the Nikkei average rose nearly 700 points *to post its seventh largest gain* in history, *writes Michiyo Nakamoto in Tokyo.*

Building on Tuesday's gains, the Nikkei advanced sharply just after the opening and continued on an uptrend throughout the day. Activity picked up significantly, with turnover of 728m shares, up from 565m on Tuesday, the highest level since January 5. There were 983 gains, only 77 losses and 53 issues unchanged.

After rising to a high of 34,755.72, the index closed 694.04 higher at 34,591.99, against a low of 33,950.20. The Topix index of all listed stocks rose 65.50 to 2,565.54 but, in London, the ISE/Nikkei 50 index dropped 10.82 to 1,882.34.

Overnight strength on Wall Street and the yen's firmness against the dollar provided a reassuring environment for the small-lot buying by individual investors and the newly launched investment trust funds, which gave the market its main support.

Investors were relieved that Tokyo's recent sharp downturn had not led to a collapse of stock markets worldwide. Meanwhile, the Bank of Japan was said to be selling dollars heavily to prop up the yen, and those efforts appeared finally to be having some results on the currency markets.

Gains on the futures markets continued to be reflected on the cash market. Although futures had a downturn late in the day, there was relief that they had calmed down to the point that investors could concentrate on the cash market without slavishly following futures developments, said one Japanese broker.

Yesterday's rise was a rebound from the market's recent sharp fall, rather than a response to the improved environment, said an analyst at Daiwa Securities. Considering the downturn of the past week and the present market environment of high interest rates, a sluggish yen and high oil prices, analysts said it was *likely to take some time for* share prices to recover to anywhere near last year's highs.

Buying interest was broadly based, but issues that looked cheap and those with good earnings prospects were especially favoured. In the former group were chemicals, with Takeda Chemical firming Y100 to Y2,130 and Nippon Chemical surging Y260 to Y2,800.

Electricals and medium-sized constructions were seen as promising high-earners. Pioneer, the recent favourite among issues with strong business results, added Y180 to Y6,670 in active trading. Fujita, the construction company, was second on the actives list with 14.9m shares, rising Y50 to Y1,910. Maeda Road Construction followed with 13.6m shares, rising Y150 to Y2,850.

Osaka rallied with a record gain of 1,137.80 points, which took the OSE average to 36,560.57. Turnover improved to 107m shares from the 93m traded on Tuesday.

THE MANILA and Makati stock exchanges in the Philippines are using a new set of stocks to compute their composite indices from today. Mr Myron Papa, a governor of the Makati exchange, said yesterday that some of the 25 stocks previously included were no longer actively traded and *therefore did not reflect the trend of their particular sectors.*

Yesterday, the Manila composite index eased 5.9 to 1,015.95 on political uncertainty, following the previous day's arrest of Mr Juan Ponce Enrile, the opposition senator.

Roundup

THE PACIFIC Basin made a more limited response to Tokyo's recovery yesterday than it did on Tuesday.

AUSTRALIA was in waiting for today's balance of payments and the national elections on March 24. The All Ordinaries index rose 4.7 to 1,575.1 in turnover of 106m shares and A$134m, against Tuesday's 75m and A$183m.

Bougainville Copper continued to rally, adding 9 cents to A$1.27 as the company agreed compensation with insurers for the closure of its Papua New Guinea mine.

HONG KONG saw its best gains in properties, as the Hang Seng index gained 19.36 to 2,951.98. Turnover improved from HK$1.1bn to HK$1.2bn – still well below the level seen before Tokyo's plunge.

SINGAPORE saw gains outnumber losses by 204 to 41 (with 117 unchanged) as profit-taking developed late and the Straits Times industrial index rose 14.97 to 1,550.06.

Malayan Breweries fell 40 cents to S$10.90 cents after announcing that group profit would be hit by losses at subsidiaries in Papua New Guinea.

TAIWAN's confidence continued to grow on signs of domestic economic strength and on the rally in Tokyo. The weighted index gained 230.53, or 2 per cent to 11,661.73 on volume of 844m and NT$137bn, up from 771m and NT$125bn.

SEOUL had a busy session, although the composite index closed only slightly higher at 861.59, up 1.76. Volume was 17m shares worth 329bn won, up from Tuesday's 244bn won. Rumours that the Government would introduce measures to boost the market alternated with fears that it would not.

SOUTH AFRICA

A FIRMER close in Johannesburg reflected further strength in leading overseas markets, although trading was generally quiet.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 28 1990						TUESDAY FEBRUARY 27 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	139.98	+0.4	122.80	122.29	+0.3	5.51	139.39	122.14	121.91	160.41	128.28	135.27
Austria (19)	266.46	+0.9	233.76	234.98	+1.5	1.13	264.01	231.34	231.55	266.46	92.84	100.69
Belgium (61)	134.59	+0.4	118.07	117.16	+1.0	4.76	134.02	117.44	116.01	160.02	125.58	130.52
Canada (120)	139.35	+0.9	122.24	120.33	+0.7	3.39	138.10	121.01	119.45	154.17	124.67	131.05
Denmark (36)	246.77	−1.0	216.48	218.49	−0.6	1.47	249.35	218.49	219.84	260.82	165.35	166.32
Finland (26)	147.77	−0.1	129.64	123.28	+0.0	2.41	147.98	129.66	123.21	159.16	118.63	140.65
France (125)	144.46	+0.4	126.73	130.02	+1.0	2.89	143.90	126.09	128.72	157.97	112.57	113.60
West Germany (96)	125.13	−0.2	109.77	110.33	+0.5	1.92	125.35	109.83	109.74	137.01	79.56	84.66
Hong Kong (48)	121.03	+0.9	106.18	121.33	+0.9	4.82	119.99	105.14	120.27	140.33	86.41	127.95
Ireland (17)	189.67	+0.0	166.39	170.12	+0.4	2.56	189.73	166.25	169.42	198.57	125.00	142.14
Italy (96)	93.00	+0.0	81.59	87.05	+0.6	2.64	93.02	81.51	86.54	102.11	74.97	79.52
Japan (455)	166.65	+2.3	146.20	156.75	+2.5	0.52	162.87	142.72	152.99	200.11	159.43	193.46
Malaysia (36)	237.74	+1.6	208.57	247.50	+1.6	2.16	234.11	205.14	243.71	245.32	143.35	153.85
Mexico (13)	392.10	−0.5	343.98	1170.77	−0.3	0.44	393.90	345.15	1174.87	393.90	153.32	153.32
Netherland (43)	132.96	−0.2	116.64	115.85	+0.3	4.76	133.28	116.79	115.46	145.66	110.63	112.90
New Zealand (18)	63.64	+1.6	55.83	57.41	+1.5	8.01	62.65	54.89	56.55	88.18	61.96	70.85
Norway (24)	233.45	−0.2	204.80	206.68	+0.1	1.59	233.84	204.90	206.38	241.98	139.92	164.73
Singapore (26)	192.34	+1.4	168.73	165.39	+1.5	1.76	189.71	166.23	163.00	199.38	124.57	137.99
South Africa (60)	198.13	+0.0	173.82	157.77	+0.9	3.55	198.12	173.60	156.34	251.39	115.35	129.41
Spain (43)	149.19	+0.0	130.88	122.91	+0.3	4.27	149.14	130.69	122.53	169.75	143.14	143.14
Sweden (35)	183.91	−0.3	161.34	166.42	−0.1	2.22	184.38	161.56	166.64	206.95	138.45	152.49
Switzerland (62)	93.75	−1.2	82.25	86.66	−0.7	2.13	94.90	83.15	87.25	99.12	67.81	75.51
United Kingdom (308)	154.92	−0.1	135.91	135.91	+0.1	4.74	155.00	135.82	135.82	164.31	133.28	145.89
USA (542)	134.43	+0.5	117.93	134.43	+0.5	3.53	133.72	117.17	133.72	146.29	112.13	117.07
Europe (989)	138.11	−0.1	121.16	121.66	+0.3	3.57	138.22	121.12	121.29	146.66	112.63	116.94
Nordic (121)	189.32	−0.6	166.08	162.64	−0.3	1.86	190.38	166.80	163.10	201.89	137.95	145.11
Pacific Basin (687)	163.93	+2.2	143.81	153.97	+2.3	0.79	160.37	140.52	150.44	194.72	157.06	188.31
Euro–Pacific (1656)	153.84	+1.4	134.96	141.21	+1.6	1.80	151.77	132.99	139.00	174.18	141.56	159.75
North America (662)	134.63	+0.6	118.10	133.54	+0.5	3.52	133.89	117.32	132.82	146.66	112.79	117.81
Europe Ex. UK (683)	126.62	−0.1	111.08	112.82	+0.5	2.79	126.75	111.06	112.29	135.73	96.30	99.04
Pacific Ex. Japan (212)	130.91	+0.8	114.85	118.61	+0.7	4.84	129.93	113.85	117.79	140.05	111.93	126.69
World Ex. US (1849)	153.91	+1.3	135.03	140.98	+1.6	1.87	151.89	133.09	138.82	173.77	141.49	158.44
World Ex. UK (2085)	145.07	+1.2	127.26	138.95	+1.3	2.18	143.35	125.61	137.11	162.00	136.98	142.21
World Ex. So. Af. (2331)	145.61	+1.1	127.74	138.50	+1.2	2.39	144.05	126.22	136.82	161.84	136.67	142.60
World Ex. Japan (1936)	136.69	+0.3	119.92	129.45	+0.5	3.59	136.28	119.41	128.85	145.52	114.51	118.01
The World Index (2391)	145.93	+1.1	128.02	138.63	+1.2	2.40	144.38	126.51	136.96	162.05	136.68	142.52

Trading on the Helsinki exchange has been reduced following a banking employees dispute.